The Donor-Donee State Issue: Funding Equity in Surface Transportation Reauthorization

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Summary

Few issues in the history of the Federal-Aid Highway Program have raised such heated debate as the argument over how closely the program's payments to the individual states should match the amount of federal highway taxes each state's highway users pay to the highway account of the Highway Trust Fund (HTF). Referred to as the donor-donee state issue, it is expected to re-emerge during the debate over the reauthorization of federal surface transportation programs. The current authorization, under the Safe, Accountable, Flexible, Efficient Transportation Equity Act: a Legacy for Users (SAFETEA; P.L. 109-59), expires on September 30, 2009.

"Donor states" are states whose highway users are estimated to pay more to the highway account of the HTF than they receive. "Donee states" receive more than they pay. The basic donor state argument is a relatively straightforward call for what they view as equity or fairness. Donor state advocates generally contend that for too many years they have been subsidizing the repair and improvement of donee state infrastructure, especially the older highway infrastructure in the Northeast.

Donee state advocates argue that fairness is in the eye of the beholder and should not be separated from needs. They assert that the age of their highway infrastructure, especially in the Northeast, the high cost of working on heavily congested urban roads, and also the limited financial resources of large sparsely populated Western States justify their donee status. They further argue that there are needs that are inherently federal rather than state, and that a national highway network cannot be based solely on state or regional boundaries.

A number of interest groups and State Departments of Transportation (state DOTs) are expected to propose that reauthorization increase the rate-of-return guarantee (currently 92%) and expand the scope of the statutory guarantee to cover more Federal-Aid Highway Program funding. This may be difficult to achieve in a tight budget environment. The Equity Bonus (EB) program, which is the principal means by which the rate-of-return adjustment is facilitated, is already the largest federal highway program. Others would restructure, modify or eliminate the EB altogether.

The Federal Highway Administration's (FHWA) donor-donee figures indicate that for FY2007 all 50 states were donee states. For FY2006 there were 41 donee states and no donor states fell below a 91% rate-of-return (based on a dollar in-dollar out calculation method). Some donor state advocates argue that this situation is anomalous and have argued for a method of calculation that relies on share percentages, rather than dollars, because this would eliminate the modifying effect of the recent drawing down of the unexpended balances of the HTF.

Near the end of FY2008, the balance in the highway account of the HTF had fallen to the point that Congress provided for a transfer of roughly $8 billion from the Treasury's general fund to the highway account of the HTF in the hope that the transfer would be sufficient to support the guaranteed funding authorized in SAFETEA for FY2009. This transfer of general fund monies has no connection to the transportation taxes paid by highway users to the HTF and raises questions about basing an equity guarantee primarily on the states' shares of payments to the HTF.

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Background and Issue Overview

Historically, transportation policy battle lines have often formed along regional rather than partisan alignments. The regional character of transportation policy is evident in the debate over the need for an equitable distribution of federal highway aid among the states. Since 1982, Congress has included legislative provisions in every surface transportation reauthorization act to address these perceived funding distribution concerns through a variety of rate-of-return guarantee provisions. For many years, some states (mostly Southern as well as some Mid-Western and certain fast growing Western states) have complained that they receive significantly less federal highway aid than their highway users pay in federal highway taxes to the highway account of the highway trust fund (HTF).[1] These states, referred to as donor states, argue that they are not getting their perceived fair share of federal-aid highway spending and have pressed for legislative remedies that would assure them a higher rate-of-return on their tax payments. Donee states, states that receive more federal highway aid than they pay in federal highway taxes, have not opposed equity provisions per se in recent years but have opposed any reduction in their own existing percent shares of total federal highway aid.

Since the 1970s much of the debate has been data driven. The data used to designate states as either donor or donee have been drawn from Table FE-221 of the Federal Highway Administration's (FHWA) annual *Highway Statistics* publication, which estimates states' ratios of contributions to the HTF to the federal highway funding that is made available to them each fiscal year.[2] Data from the most recent (FY2007) Table FE-221 is reproduced in **Table 1** of this report.

The current authorization, under the Safe, Accountable, Flexible, Efficient Transportation Equity Act: a Legacy for Users (SAFETEA; P.L. 109-59), expires September 30, 2009. Proposals for reauthorization are expected during the first session of the 111th Congress. For an overview of reauthorization issues see CRS Report R40053, *Surface Transportation Program Reauthorization Issues for the 111th Congress*.[3]

Following a background and overview discussion, this report provides a brief history of the donor-donee issue and its origins. It also describes the existing programmatic rate-of-return guarantee mechanism, the Equity Bonus (EB) Program. The report then discusses issues related to the EB program and possible modifications that may be considered as part of the reauthorization debate. Finally, the report reviews a number of overarching issues related to the donor-donee state debate that could be of interest to Congress during the upcoming reauthorization of SAFETEA.

A number of characteristics of the Federal-Aid Highway Program (FAHP) need to be kept in mind in a discussion of the donor-donee question. First, the federal monies for highway project spending are not provided to states up front. Rather, when amounts are "distributed" to the states, it is only a notification of the availability of federal funds. Once a project is approved and the work is started, the states may submit vouchers to the FHWA for reimbursement for the project's costs as, or after, they are incurred. Second, the FAHP is an umbrella term for nearly all the highway programs administered by the Federal Highway Administration (FHWA). Most of these

[1] The highway trust fund has two accounts the highway account and the mass transit account. The focus of the donor-donee controversy is on the flow of funds to and from the highway account.

[2] Available at: http://www.fhwa.dot.gov/policy/ohim/hs06/pdf/fe221.pdf

[3] CRS Report R40053, *Surface Transportation Program Reauthorization Issues for the 111th Congress*, coordinated by John W. Fischer

programs can be described as being either formula (apportioned) programs,[4] which constitute the vast majority of program funding, or discretionary (allocated) programs. The formula programs apportion funds to the State Departments of Transportation (state DOTs) based on formulas set forth in legislation. The discretionary programs are programs nominally under the control of the FHWA that were designed to provide funds to projects chosen through competition with other projects. In recent years, however, most of the discretionary program funding has been earmarked by Congress.

The distinction between formula and discretionary programs becomes especially significant in the process of creating equity programs, such as the current Equity Bonus Program (EB), that could make states' federal spending rates-of-return on their federal highway taxes more uniform. It is difficult to conceive of how discretionary programs could be constructed to guarantee a designated percent return to states on their payments to the HTF and still remain discretionary. The formula programs were originally created, at least in part, to fulfill perceived policy needs.

Some highway needs, such as roads on federal lands, border crossing infrastructure, trade corridors, and interstate system maintenance, have inherently federal aspects that would likely not be fully addressed if the Federal-Aid Highway Programs were predicated on a return to all states. Even advocates of devolving the FAHP to the states have acknowledged some federal needs.[5] In addition, donor states themselves have in the past recognized the need for some states to get a larger than normal share of federal-aid funds. During the debate that preceded passage of the Intermodal Surface Transportation Act of 1991 (ISTEA; P.L. 102-240), for example, donor states agreed that large sparsely populated states and some small states (such as Rhode Island, Vermont, and Delaware) should receive larger shares. Authorizers also thought that the sparsely populated "pass-though" states had insufficient state resources to build and maintain their parts of the national highway network, so they were given larger shares.

To deal with these problems in a way that retains these programmatic policy goals and at the same time achieves improvement in the uniformity of states' rates-of-return, Congress has decided to include some programs in the equity programs (such as the current EB) and exclude others. Often referred to as the "scope," the list of programs (as well as how large a percentage of the overall federal highway aid budget they total) that are subject to the equity adjustments, has varied since the first equity program was introduced in 1982. The major formula programs were always within the scope of the equity guarantee. Which other programs were included changed under the various surface transportation authorization acts. The scope of the equity program is important for a number of reasons. First, under a guaranteed share mechanism, the more program dollars left outside the equity program's scope, the more likely that at least some donor states will not reach their minimum percentage return relative to the entire Federal-aid highway program. Second, in general, the more inclusive the equity program's scope, the more costly the program.[6] Third, earmarking of programs within the scope generally provides no new dollars to the state receiving the earmarks. These earmarks simply allow Members of Congress to set project priorities. Earmarks of programs outside the scope actually provide more money to the state

[4] Apportioned programs are so called because each state gets "a portion" of the authorized amount by formula.

[5] Devolution generally refers to the shifting of federal programmatic responsibility, as well as shifting the fuel taxes that helps support these responsibilities, to the state level.

[6] This assumes all other attributes of the equity guarantee are held constant. This is not always the case. For example, tax changes can change states' relative shares and could affect the calculation of total program size discussed later in this report.

getting the earmark. Scope issues are discussed in detail in the "Overarching Issues for Congress" section, later in this report.

The highway account of the HTF is supported by revenue from a combination of a variety of fuel taxes (15.44 cents per gallon for gasoline, 21.44 cents per gallon for diesel and kerosene, and a variety of special fuels taxes, at differing rates) as well as a number of truck taxes including, a heavy tire tax, a truck and trailer sales tax, and a heavy vehicle use tax.[7] Revenues from the fuel taxes are also distributed to the Mass Transit Account (2.86 cents per gallon) and the unrelated Leaking Underground Storage Tank Trust Fund (0.1 cents per gallon). All tire, truck and trailer, and heavy vehicle use tax revenues go solely to the highway account.

Because the federal taxes on fuel are collected at the first point of distribution (at the terminal "rack," usually at a refinery or a fuel tank farm) rather than at the retail level, most of the revenue is collected from a small number of corporations (often large oil companies or distributors that own fuel farms) located in a relatively small number of places. This means that the Treasury has no way of knowing how much fuel tax should be attributed to each state. FHWA has a process to estimate each states share of payments to the highway account. [8]

In simplified form, the process of attributing each state's shares to the highway account is as follows:

- The Treasury Department provides the basic national revenue estimates for each kind of tax (gasoline, diesel, special fuels, and truck-related sales, etc.).
- The FHWA then examines state fuel tax data to produce estimates of on-highway gallons of fuel taxed in each state (use is difficult to track as vehicles can gas up in one state and then travel in another).
- Each state's on-highway gallons are divided by national total gallons. The resulting distribution is a representation of each state's share of national consumption, measured in gallons.
- The Treasury's estimates of total revenues received from highway users are then multiplied by the derived state shares of gallons to produce each state's estimated payments to the highway account of the HTF.
- The share of the various truck-related taxes are extrapolated from diesel fuel use in the states.
- Gathering and compiling the data takes time, usually over a year. This means that the data underlying the state-by-state federal tax payments data is normally two years old when used to determine attribution.

A number of statistical issues have an impact on the rate-of-return guarantees. The use of non-current data (i.e., revenue estimates from two years prior) may skew the state donor-donee ratios and lead to conclusions about donor or donee status that are questionable. Also, state-by-state data may not always be completely accurate or up to date. The economic cycle can also have an

[7] The tire tax is on tires with rated capacity over 3,500 pounds. The heavy vehicle use tax is on trucks with a gross vehicle weight over 55,000 pounds.

[8] For a detailed discussion of the estimation and attribution process, see *Attribution and Apportionment of Federal Highway Tax Revenues: Process Refinements*, by the Center for Transportation Analysis, Federal Highway Administration, Washington, 2002. 36 p. This report also includes FHWA's time-line for data improvements. These improvements were, in part, a response to a General Accounting Office report, *Highway Funding: Problems With Highway Trust Fund Information Can Affect State Highway Funds*, GAO/RCED/AIMD-00-148, June 2000, pp. 1-62. See also the Federation of Tax Administrators Motor Fuel Tax Section, [http://www.taxadmin.org/fta/mf/].

impact on revenues and the budgetary process that can lead to years when revenues and spending levels differ significantly from each other: this can have an impact on relative rates-of-return. As mentioned above, the Equity Bonus and other equity adjustment proposals attempt to achieve a specified "share" return based on two year old payments data. Distribution equity, however, is almost always judged by Table FE-221 in the annual FHWA *Highway Statistics Report*, which compares estimated dollars paid and apportionments and allocations received for the same fiscal year.[9] This statistical disconnect means that even an effective equity program will face criticism when the same year dollar-for-dollar return data are released. In addition, the impact of proposed revenue changes on states' relative shares of payments to the HTF are hard to predict over the life of the reauthorization. These changes can shift some donor states to donee states, or vice versa, over the years. The statistical shifts could also influence the calculation of program size under an equity guarantee.

A Brief History of the Donor-Donee Issue

The concern by states that federal spending might benefit other states' infrastructure more than theirs has a long history. It was one of the formative forces that led to a federal policy of nonparticipation in road building during the century preceding passage of the Federal Aid Road Act of 1916. In 1808, Secretary of the Treasury Albert Gallatin recommended that the federal government provide $20 million over a ten-year period for a national network of canals and roads. The plan, however, was never funded.[10] Among the factors that mitigated against the plan was the view by Southern states, who generally opposed federal grants for roads and canals, that spending would benefit other regions more than the South. The New England states, which had relatively good roads, opposed federal funding for roads, because they expected the money would be spent for roads outside New England. Anticipating these regional concerns, of the $20 million recommended in the report, Gallatin proposed that only $16.6 million be designated for the network of roads and canals. The remaining $3.4 million was to provide benefits to those "eastern and perhaps southern states," which are part of the Union, but "are less immediately interested in those inland communications," provided for in the plan. Even with this incentive, the plan failed to gain sufficient support to be passed. This could, however, be thought of as forerunner of the modern minimum guarantees within the context of the donor-donee debate. [11] The federal government's involvement in road building ebbed to nonparticipation until the 1890s and even then its participation was primarily technical and advisory. Consequently, since there was no federal program, there were no road issues similar to donor-donee issue until after the turn of the Twentieth Century when the "good roads" movement gained traction and interest groups began to encourage legislation for federal spending on roads.

[9] [http://www.fhwa.dot.gov/policy/ohim/hs02/fe221b.htm]

[10] U.S. Senate, *Report of the Secretary of the Treasury [Albert Gallatin], on the Subject of Public Roads and Canals; Made in Pursuance of a Resolution of the Senate, of March 2, 1807*, (Washington, C.R. Weightman, reprinted by Sentry Press, 1968), p. 65-75. Secretary Gallatin estimated budget surplus at $5.5 million and suggested that an annual $2 million peacetime appropriation would not be burdensome. However, following the imposition of trade restrictions under the embargo of 1807, revenues fell from $17 million in 1808 to $7.7 million in 1809 and recovered only slightly in 1810. Spending during the War of 1812 nearly tripled the public debt (Census Bureau, *Historical Statistics*, 1104).

[11] Ibid, p.68-69. Sectional jealousy/conflict was only one reason for the rejection of the canal and road plan. Other reasons included the view that retiring the national debt was more important and the view by some that the plan exceeded the authority of the federal government under the Constitution.

A forerunner of the modern donor-donee argument emerged during the debate on the Federal Aid Road Act of 1916 (39 Stat. 355; hereafter referred to as the 1916 Act). The 1916 Act established the first federal aid to roads on a programmatic basis. An opponent of the Act, Senator Lippitt of Rhode Island, presented a table to his Senate colleagues showing the share of highway spending each state would receive out of each $25 million of road aid provided, in comparison to the share of every $25 million in federal income and corporate tax revenues each states citizens paid. His table indicated that 12 states (except for California, all in the Northeast and upper Midwest), would receive shares of the road aid that were less than the share that they contributed in taxes. According to his table, three states: Massachusetts, New York, and Pennsylvania would together contribute more than 50% of the tax revenue but receive only between 11% and 12% of the road spending. Senator Lippitt's table, however, did not forestall passage of the bill.[12]

The Highway Revenue Act of 1956 (70 Stat. 387) established the HTF. The impetus was the construction of the Interstate System (IS). Because the rate and timing of construction would vary greatly from state-to-state, the construction of the Interstate System did not lend itself well to arguments in support of an equal rate of return on highway tax payments. Nothing equivalent to the modern donor-donee debate emerged as a major point of contention during the discussions that preceded the passage of the 1956 Act. The federal-state intergovernmental relations conflicts focused more on issues of state or federal preeminence in highway policy, as well as, state concerns that increases in the federal fuel taxes would have a crowding-out effect on states' ability to raise revenues through their own fuel taxes.[13] The passage of the 1956 Act did, however, eventually have an impact on the evolution of the donor-donee issue, because the HTF made it possible to eventually attribute the flows of revenues from states' highway users to the fund.

For the most part, however, although the argument regarding a fair return on tax payments did not disappear entirely after the passage of the 1916 Act, it did not surface as a major issue until after the first publication of Table FE-221 in the 1972 edition of the FHWA's annual *Highway Statistics.*[14] The table's publication provided a statistical source that supported concerns about the state "fair share" issue that persist to this day. Table FE-221, "Comparison of Estimated State Payments into and Receipts from the Highway Trust Fund, and Federal-Aid Apportionments," published for each state, presented in side-by-side format not only the state payments to and receipts from the HTF, but also the ratio of aggregate payments to receipts for fiscal year 1957 through June 30, 1973. The receipt of federal aid for each dollar paid to the highway trust fund varied greatly from state to state. Alaska appeared to fare best and North Carolina worst at $8.34 and $0.52, respectively. During the 1970s, significant construction was still underway on the Interstate Highway System, and the degree of effort required continued to vary significantly from state to state. This may have, in the minds of some, provided a reasonable justification for the disparity among state rates-of-return. By the early 1980s, however, the interstate system was nearing completion. At the same time, a general perception that U.S. roads and bridges had deteriorated coincided with growing support for increased spending on transportation infrastructure, in part, as an economic stimulus measure.

[12] "Federal Money for Local Roads," *Good Roads Magazine*, vol. 11, June 3, 1916, pp. 231-232. The Federal Aid Road Act of 1916 was passed to support nonurban roads. Senator Lippitt's table may actually have encouraged support for the bill since it made it clear that the majority of states would be net beneficiaries of the bill.

[13] Richard F. Weingroff, *"Clearly Vicious as a Matter of Policy": the Fight Against Federal-Aid*, Federal Highway Administration, Washington, DC, August 2005, pp. 175-233. See also Porter K. Wheeler, *Highway Assistance Programs: a Historical Perspective*, Congressional Budget Office, Washington DC, January 1978, pp. 6-29.

[14] Department of Transportation, Federal Highway Administration., Office of Highway Policy Information, *Highway Statistics Series*, Washington, DC, http://www.fhwa.dot.gov/policy/ohpi/hss/hsspubs.cfm.

The Surface Transportation Assistance Act of 1982 (STAA; P.L. 97-424) included the first attempt to mitigate the dissatisfaction of donor states by providing that each state would receive a minimum core program allocation of 85% of its estimated highway tax payments to the highway account of the HTF (STAA established the mass transit account). Between STAA and SAFETEA all surface transportation reauthorization bills included equity provision modifications changing the rate-of-return guarantee percentages and scope of the various equity programs. For a detailed legislative history of these changes, see **Appendix A**.

The Donor-Donee State Arguments

The donor state argument is that for the sake of equity each state should receive federal highway funding roughly equal to the fees and taxes that their state's highway users pay into the HTF. Donor state advocates generally contend that they have been subsidizing the repair and improvement of donee state infrastructure, especially of the older highway infrastructure in the Northeast. Most also argue that they are more road dependent and do not benefit from federal transit spending to the same degree as some donee states. Southern and certain Western donor states also argue that they are fast growth areas, relative to most donee states, and that consequently their needs are as great or greater. Finally, they argue that with the completion of the Interstate Highway System there is no valid rationale for any donor-donee disparity.

Donee states argue that fairness should not be separated from needs. They assert that the age of their highway infrastructures (especially those in the Northeast), the high cost of working on heavily congested urban roads, as well as the limited financial resources of large, sparsely populated western states justify their donee status. They also argue that some needs exist that are inherently federal, such as a national highway network, that cannot be based solely on state or regional boundaries. Furthermore, donee states argue that Mid-Western and Southern donor states often spend less local and state money on highways than donee states, and chide these donor states for pleading for federal funds when they are unwilling to ante up their own state and local resources.

Historically there has also been a third view that has challenged the basic concept that states should be entitled to a balance between the federal taxes collected from their citizens, businesses, or highway users versus the federal spending that eventually occurs in the state. The Federal-Aid Highway Program is the only federal program that considers rate-of-return criteria. Those who challenge the basic donor-donee conceptual framework generally refer to studies showing that some highway program donor states are overall donee states in terms of federal tax and spending flows in general, or in other kinds of federal spending such as defense or human service programs.[15] They also argue that rate-of-return mechanisms inherently constrain the federal government's ability to address changing national needs, creating a framework where state and local priorities trump federal priorities. They also point out that, especially in regard to freight, road improvement in some states (such as for ports or freight bottleneck areas) benefit the surrounding states, the region, and the nation as a whole. They argue that such projects' funding decisions should be based on efficiency not equity. In addition, some cast doubt on the mind-set that construction spending, including wages, remains in the state where a project is built by pointing out that construction companies from all over the nation bid for federally funded projects and that construction labor is mobile.

[15] Herman B. Leonard and Jay H. Walder, *The Federal Budget and the States: Fiscal Year 1999* (Cambridge, MA, Taubman Center for State and Local Government, 2000), 125 p. See also, Curtis S. Dubay, *Federal Tax Burdens and Expenditures by State: Which States Gain the Most from Federal Fiscal Operations?*, Tax Foundation, 2006. Available at: http://www.taxfoundation.org/publications/show/62.html

Policy Dilemmas

The 111th Congress faces difficult policy choices in resolving the seemingly contradictory goals of meeting donor state demands for a higher rate-of-return and donee state demands to be held harmless at a time when the revenue base of the Highway Trust Fund's (HTF) highway account is insufficient (at least in real terms) and is expected by most observers to be insufficient to fund both goals. Part of the problem is that a bill that simply reduces the shares of donee states to increase the shares of donor states would have difficulty overcoming a filibuster by donee states in the Senate. To provide an equitable rate-of-return structure to overcome this obstacle, reauthorization bills have, in past practice, included "hold harmless" provisions that maintained certain base shares. This process of bringing donor state shares up to the guaranteed percentage return has required increasing the overall federal highway program size, usually by a large amount (since donee state funding could not be reduced). In other words, providing equity remedies that keep both donor and donee states reasonably content has been accomplished by giving more money to all states, but even more to donor states to meet their guaranteed share requirement, currently 92%. Providing equity in this way is very expensive. The Equity Bonus program (EB) under SAFETEA, in fact, is the largest highway program ($41 billion over the five year life of the bill). Finding sufficient funds to support an equity distribution mechanism is likely to be a major difficulty in reauthorization.

In a broader sense, the debate over equity remedies has implications for a number of issues. As was referred to earlier, a guaranteed rate-of-return that approaches roughly 95% or higher could leave little room for addressing additional transportation needs that are viewed as uniquely federal, such as the Federal Lands Highway Program or the Interstate Maintenance Program. Further, the role of the federal government vis-a-vis the states comes into question as the minimum guarantee approaches 100%. If the federal government is essentially collecting HTF revenues only to return them to the states with no redistribution, some would argue the need for a federal role is questionable.

In addition, not all highway funding has originated from the highway user taxes that provide revenue to the highway account of the HTF. Spending originating from the Treasury's general fund has been significant since passage of the Federal-Aid Highway Act of 1956.[16] This is the primary reason that (in **Table 1**) the cumulative ratio of apportionments and allocations to payments to the HTF for FY1957-FY2007 exceeds the 1.0 break-even point by 0.12. This inclusion of general fund monies muddles the rationale for a 1.0 ratio return that underlies the donor-donee debate. The highway user taxes have nothing to do with the revenues that support the Treasury's general fund, which is supported mostly by individual income, corporate income and payroll taxes.[17] This issue is discussed in more detail in the "Overarching Issues for Congress" section of this report.

[16] Most of the general fund revenues transferred to the highway account, until 1998, were for interest on the unexpended balance of the highway account. There has also been significant programmatic spending, however. See Table FA-5 in FHWA's annual *Highway Statistics* series, which includes data on general fund spending on highways. [http://www.fhwa.dot.gov/policy/ohim/hs06/htm/fa5.htm] This issue is further complicated by some highway user taxes having been deposited in the general fund for deficit reduction during the 1990s.

[17] Gerald Prante and Andrew Chamberlain, *Putting Taxes on the Map: Federal Tax Burdens by City, County, Congressional District and State*, Tax Foundation, Special Report no. 150, Washington, DC, March 2007, p. 8, http://www.taxfoundation.org/publications/show/2278.html.

The Statistics Underlying the Debate

Table 1, below, reproduces Table FE-221 from the 2007 edition of *Highway Statistics,* which is published annually by the Federal Highway Administration.[18] Since 1972, Table FE-221 has provided the statistical underpinnings of the donor-donee state debate. Following the state column, the first group of four columns sets forth the dollar amount of and percentage of the total payments into the fund for both FY2007 and for the aggregate payments from the beginning of FY1957 through FY2007. The second group of four columns sets forth the dollar amounts and percentages of the national total for the flow of funds (apportionments and allocations) from the HTF for the same time periods, respectively. The last two groups of dual columns calculate the ratios that are used to determine donor or donee status via two calculation methods used by various parties to the debate: dollar-in/dollar-out and percentage-in/percentage-out.[19]

[18] Office of Highway Information Policy, *Highway Statistics 2007*, Federal Highway Administration, Washington, DC, 2008, http://www.fhwa.dot.gov/policyinformation/statistics/2007/fe221.cfm. The percentage-in/percentage out method was first added to FE-221 in the 2007 edition.

[19] These terms are not official terms used by the FHWA but are terms of art used by congressional staff in discussing donor-donee issues.

Table 1. Comparison of Federal Highway Trust Fund Highway Account Receipts Attributable to the States and Federal-Aid Apportionments and Allocations from the Highway Account: FY1957-FY2007 (FHWA Table FE-221A)

(Thousands of Dollars)

State	Payments Into The Fund [a]				Apportionments And Allocations From The Fund[b]				Dollar-in—Dollar-out Ratio[c]		Percentage-in—Percentage-out Ratio[d]	
	Fiscal Year 2007	Percent of Total	Cumulated Since 7-1-56	Percent of Total	Fiscal Year 2007	Percent of Total	Cumulated Since 7-1-56	Percent of Total	Fiscal Year 2007	Cumulated Since 7-1-56	Fiscal Year 2007	Cumulated Since 7-1-56
Alabama	680,178	1.949	12,717,931	1.976	817,468	1.955	14,197,192	1.974	1.20	1.12	1.00	1.12
Alaska	124,331	0.356	1,423,821	0.221	541,251	1.295	8,901,517	1.237	4.35	6.25	3.63	6.25
Arizona	742,254	2.127	10,879,146	1.690	762,180	1.823	11,375,455	1.581	1.03	1.05	0.86	1.05
Arkansas	441,239	1.264	8,476,116	1.317	541,826	1.296	8,950,473	1.244	1.23	1.06	1.03	1.06
California	3,466,984	9.934	65,434,541	10.166	4,232,975	10.124	64,807,093	9.009	1.22	0.99	1.02	0.99
Colorado	525,442	1.506	8,615,996	1.339	554,380	1.326	9,913,796	1.378	1.06	1.15	0.88	1.15
Connecticut	340,150	0.975	7,031,575	1.092	530,357	1.269	11,750,058	1.633	1.56	1.67	1.30	1.67
Delaware	91,167	0.261	1,810,797	0.281	176,331	0.422	2,954,030	0.411	1.93	1.63	1.61	1.63
Dist. of Col.	26,904	0.077	895,527	0.139	159,815	0.382	3,763,660	0.523	5.94	4.20	4.96	4.20
Florida	1,915,336	5.488	31,411,215	4.880	2,003,500	4.792	30,378,489	4.223	1.05	0.97	0.87	0.97
Georgia	1,293,316	3.706	22,815,506	3.545	1,343,422	3.213	21,365,242	2.970	1.04	0.94	0.87	0.94
Hawaii	91,252	0.261	1,629,457	0.253	216,929	0.519	5,009,549	0.696	2.38	3.07	1.98	3.07
Idaho	187,619	0.538	3,330,993	0.518	295,283	0.706	5,452,926	0.758	1.57	1.64	1.31	1.64
Illinois	1,310,293	3.755	24,748,815	3.845	1,579,222	3.777	26,497,537	3.683	1.21	1.07	1.01	1.07
Indiana	962,021	2.757	17,266,009	2.683	988,156	2.363	15,587,311	2.167	1.03	0.90	0.86	0.90
Iowa	456,043	1.307	8,182,632	1.271	475,913	1.138	9,064,692	1.260	1.04	1.11	0.87	1.11
Kansas	345,899	0.991	7,472,028	1.161	407,799	0.975	8,299,086	1.154	1.18	1.11	0.98	1.11
Kentucky	637,626	1.827	11,543,571	1.793	700,301	1.675	11,985,559	1.666	1.10	1.04	0.92	1.04
Louisiana	664,405	1.904	11,474,919	1.783	756,201	1.809	14,095,804	1.959	1.14	1.23	0.95	1.23
Maine	176,566	0.506	3,429,345	0.533	202,084	0.483	3,820,442	0.531	1.14	1.11	0.96	1.11
Maryland	603,323	1.729	11,285,823	1.753	661,588	1.582	14,161,022	1.969	1.10	1.25	0.92	1.25
Massachusetts	562,678	1.612	12,215,087	1.898	654,592	1.566	17,476,471	2.429	1.16	1.43	0.97	1.43
Michigan	1,044,882	2.994	22,566,088	3.506	1,171,364	2.802	21,114,145	2.935	1.12	0.94	0.94	0.94

State	Payments Into The Fund [a]				Apportionments And Allocations From The Fund[b]				Dollar-in—Dollar-out Ratio[c]		Percentage-in—Percentage-out Ratio[d]	
	Fiscal Year 2007	Percent of Total	Cumulated Since 7-1-56	Percent of Total	Fiscal Year 2007	Percent of Total	Cumulated Since 7-1-56	Percent of Total	Fiscal Year 2007	Cumulated Since 7-1-56	Fiscal Year 2007	Cumulated Since 7-1-56
Minnesota	632,337	1.812	10,657,059	1.656	733,286	1.754	12,494,444	1.737	1.16	1.17	0.97	1.17
Mississippi	471,171	1.350	8,420,525	1.308	537,044	1.285	9,587,769	1.333	1.14	1.14	0.95	1.14
Missouri	854,175	2.448	16,398,573	2.548	979,126	2.342	16,115,967	2.240	1.15	0.98	0.96	0.98
Montana	163,460	0.468	3,017,367	0.469	415,349	0.993	7,212,037	1.003	2.54	2.39	2.12	2.39
Nebraska	261,446	0.749	5,086,071	0.790	299,915	0.717	5,629,245	0.783	1.15	1.11	0.96	1.11
Nevada	314,866	0.902	4,096,365	0.636	321,892	0.770	5,165,628	0.718	1.02	1.26	0.85	1.26
New Hamp.	141,331	0.405	2,676,622	0.416	178,129	0.426	3,473,838	0.483	1.26	1.30	1.05	1.30
New Jersey	982,550	2.815	18,636,580	2.895	1,044,152	2.497	18,479,217	2.569	1.06	0.99	0.89	0.99
New Mexico	326,560	0.936	5,416,536	0.842	389,821	0.932	6,866,989	0.955	1.19	1.27	1.00	1.27
New York	1,341,636	3.844	28,979,180	4.502	1,786,606	4.273	36,582,638	5.085	1.33	1.26	1.11	1.26
North Carol.	1,051,100	3.012	19,184,186	2.981	1,111,941	2.660	17,584,954	2.445	1.06	0.92	0.88	0.92
North Dakota	109,008	0.312	2,210,368	0.343	252,257	0.603	4,697,786	0.653	2.31	2.13	1.93	2.13
Ohio	1,335,416	3.826	26,606,692	4.134	1,536,682	3.675	25,253,242	3.510	1.15	0.95	0.96	0.95
Oklahoma	538,021	1.542	10,743,580	1.669	677,902	1.621	10,154,988	1.412	1.26	0.95	1.05	0.95
Oregon	424,654	1.217	8,172,896	1.270	544,644	1.303	9,589,285	1.333	1.28	1.17	1.07	1.17
Pennsylvania	1,328,157	3.806	27,393,966	4.256	1,723,126	4.121	33,006,412	4.588	1.30	1.20	1.08	1.20
Rhode Island	81,057	0.232	1,854,723	0.288	241,579	0.578	4,350,079	0.605	2.98	2.35	2.49	2.35
South Carolina	627,649	1.798	10,819,751	1.681	650,292	1.555	10,011,545	1.392	1.04	0.93	0.86	0.93
South Dakota	127,134	0.364	2,358,628	0.366	297,765	0.712	5,033,883	0.700	2.34	2.13	1.96	2.13
Tennessee	833,578	2.389	15,365,666	2.387	924,124	2.210	15,089,575	2.098	1.11	0.98	0.93	0.98
Texas	3,202,376	9.176	52,853,228	8.211	3,216,831	7.694	47,224,339	6.565	1.00	0.89	0.84	0.89
Utah	317,353	0.909	5,005,603	0.778	319,569	0.764	6,601,323	0.918	1.01	1.32	0.84	1.32
Vermont	74,545	0.214	1,567,298	0.244	221,461	0.530	3,406,527	0.474	2.97	2.17	2.48	2.17
Virginia	987,250	2.829	17,355,562	2.696	1,102,630	2.637	18,787,471	2.612	1.12	1.08	0.93	1.08
Washington	640,626	1.836	11,884,286	1.846	759,593	1.817	15,780,240	2.194	1.19	1.33	0.99	1.33
West Virginia	229,209	0.657	4,863,548	0.756	449,142	1.074	9,472,901	1.317	1.96	1.95	1.64	1.95
Wisconsin	637,934	1.828	12,446,497	1.934	765,287	1.830	12,590,891	1.750	1.20	1.01	1.00	1.01

State	Payments Into The Fund [a]				Apportionments And Allocations From The Fund[b]				Dollar-in—Dollar-out Ratio[c]		Percentage-in—Percentage-out Ratio[d]	
	Fiscal Year 2007	Percent of Total	Cumulated Since 7-1-56	Percent of Total	Fiscal Year 2007	Percent of Total	Cumulated Since 7-1-56	Percent of Total	Fiscal Year 2007	Cumulated Since 7-1-56	Fiscal Year 2007	Cumulated Since 7-1-56
Wyoming	174,748	0.501	2,924,614	0.454	272,733	0.652	5,025,477	0.699	1.56	1.72	1.30	1.72
Total	34,899,255	100.000	643,652,908	100.000	41,525,815	99.322	716,190,239	99.559	1.19	1.11	0.99	1.11
Amer. Samoa	-	-	-	-	15,180	0.036	131,260	0.018	-	-	-	-
Guam	-	-	-	-	24,387	0.058	328,147	0.046	-	-	-	-
N. Marianas	-	-	-	-	11,672	0.028	88,370	0.012	-	-	-	-
Puerto Rico	-	-	-	-	201,031	0.481	2,303,629	0.320	-	-	-	-
Virgin Islands	-	-	-	-	31,196	0.075	323,647	0.045	-	-	-	-
Grand Total	34,899,255	100.000	643,652,908	100.000	41,809,281	100.000	719,365,292	100.000	1.20	1.12	1.00	1.12

Source: Federal Highway Administration. Office of Highway Policy Information. Dollar-in—dollar-out ratio and Percentage-in—percentage-out headings added by CRS.

a. Payments into the Fund include only the net highway user tax receipts and fines and penalties deposited in the highway account of the Federal Highway Trust Fund (HTF). Excluded are motor fuel tax amounts transferred to: the Mass Transit Account of the HTF; the Leaking Underground Storage Tank Trust Fund; and amounts representing motor-boat use of gasoline, which are transferred to the Aquatic Resources Trust Fund and the Land and Water Conservation Fund. Total HTF receipts (for apportionment purposes only) are reported by the U.S. Dept. of the Treasury. Payments into the HTF attributable to highway users in each state are estimated by the FHWA.

b. Includes all funds apportioned or allocated from the HTF except where FHWA does not directly allocate the funds to the states, e.g., portions of Indian Reservation Roads and safety programs.

c. Ratio of apportionments and allocations to payments.

d. The ratio of each state's apportionments and allocations to total apportionments and allocations relative to the ratio of each state's payments to total payments.

Ratio of Apportionment and Allocations to Payments (Dollar-in/Dollar-Out Method)

To calculate the dollar-in/dollar-out ratio, each state's total apportionments and allocations from the fund for the year are divided by the estimated payments made by each state's highway users to the highway account of the HTF for the same year (based on the most recent data available, generally two years prior). The same is done for the cumulated amounts since FY1957. Assuming that the total national amounts flowing into and from the HTF are equal, if a state receives as much as it pays in, its dollar-in/dollar-out ratio is 1.0. If a state receives less than it pays in, its ratio will be below 1.0 and it may be considered a donor state. If a state receives more than it pays in, its ratio is above 1.0 and it may be considered a donee state. For example, for FY2007 Alabama is estimated to have paid into the HTF $680,178,000 and had apportionments and allocations from the HTF made available to the state totaling $817,468,000. Since Alabama, according to Table FE-221, received more than it paid in, its ratio of 1.20 and for the year it can be considered a donee state (i.e. it received $1.20 for each $1 it paid into the HTF). With a cumulative ratio of 1.12 for the period FY1957 through FY2007, Alabama is also historically a donee state. Using the percentage-in/percentage out calculation method, discussed below, Alabama's ratio for FY2007 is 1.0: Alabama is neither a donor state nor a donee state.

In recent years, the authorization legislation has been intentionally drawing down what was the unexpended balance of the highway account. Because the HTF was paying out more than was flowing into the highway account for these years, most states' ratios have exceeded 1.0 and for FY2007 all 50 states received more than they were estimated to have paid in and there were, on a dollar-in/dollar-out basis, no donor states. All states had a ratio above 1.0. The excess of spending over payments at the national level is reflected in the grand total for FY2007, which was 1.20. The cumulative grand total (FY1957-2007), however, is not significantly affected by the draw down of the HTF's unexpended balance, yet at 1.12, it is also over the 1.0 level. This is mostly because of general fund monies spent over the life of the HTF.

Relative Ratio of Apportionments and Allocations to Payments (Percentage-in/Percentage-Out Method)

Some participants in the donor-donee debate, usually donor state advocates, have argued that the dollar-in/dollar-out method of calculating the ratio is misleading because in years when the trust fund balance is drawn down, it makes many states that historically have been donor states look like donee states. They argue that the years when spending exceeds revenues are anomalous and mask the true status of donor states shares of the total relative to those of donee states. To remedy this a second method of calculation has been devised. This method is set forth in the last two columns of **Table 1**. The "relative ratio of apportionment and allocations to payments" (percentage-in/percentage-out method) is calculated by dividing a state's percentage of total nationwide apportionments and allocations from the HTF by the state's percentage of the total nationwide payments into the HTF to generate a third ratio. Using Arizona[20] in FY2007 as an example, Arizona's payments to the fund were 2.127% of the national total and its apportionments and allocations received from the fund were 1.823% of the national total. Dividing Arizona's percent of total nationwide apportionments and allocations from the fund (1.823) by Arizona's percent of nationwide payments into the fund (2.127) results in a ratio of

[20] Arizona is a good example of how a state that can be a donee state under dollar-in/dollar-out, both historically and during a particular fiscal year, but be a donor state under the percentage-in/percentage-out calculation.

0.86. By contrast, Arizona's dollar-in/dollar-out ratio for FY 2007 is 1.03. This percentage-in/percentage-out method eliminates the impact of the spending down of the fund's unexpended balances on the determination of donor-donee status.[21] It also allows donor states to argue that, even in years when in dollar terms they get more than they pay into the fund, they are not getting the share of the total distribution of funds they should be getting because their relative ratio of what they receive to their payments is below 1.0.

It is important to note that even using the percentage-in/percentage-out method, the cumulative grand total (the extreme right hand column in Table 1) is 1.12, as it is using dollar-in/dollar-out method. This indicates that, even accounting for the recent drawdown of the fund's balances, the federal government has spent more on highways than has been paid into the fund, via highway user taxes and fees, during its existence.

The outcomes from these differences in the calculation methods are significant, as indicated in **Table 2**. For FY2007, using the dollar-in/dollar-out method there were no states that did not have more money made available to them than their highway users paid to the HTF. Using the percentage-in/percentage-out method, however, produces 27 states below the 1.0 ratio. Using the historical data for FY1957-2007, results in 13 states below the 1.0 threshold.

It is important to keep in mind that a 100% return on payments to all states is considered by most observers to be unrealistic. There are administrative FHWA and other costs to cover and also some programs and activities, for example the Federal Lands Highways Program, that do not lend themselves to effective distribution if based on rate-of-return on state payments to the HTF. During the last two reauthorizations, donor state advocates have pressed for a rate-of-return of 95%. The case can be made by some that a 0.95 ratio is a more realistic benchmark for determining donor state status. Using below a 0.95 ratio as the measure, the number of historical donor states (i.e. FY1957-FY2007 cumulative) drops to 6 using either dollar-in/dollar-out or percentage-in/percentage-out methods. For FY2007, using the dollar-in/dollar-out method, the number of states under 0.95 is 0, while under the percentage-in/percentage-out method, the number of states under 0.95 is 17.

Table 2. Number of Donor States Under Dollar-in—Dollar-out and Percentage-in—Percentage-out Methods

(Calculated for donor states defined as under 1.0 and 0.95 rate-of-return ratios)

Year(s)	Dollar-in/Dollar-out (under 1.0 ratio)	Percentage-in/Percentage-out (under 1.0 ratio)	Dollar-in/Dollar-out (under 0.95 ratio)	Percentage-in/Percentage-out (under 0.95 ratio)
FY2007	0	27	0	17
FY1957-FY2007	13	13	6	6

Source: Data compiled by CRS from Federal Highway Administration, *Highway Statistics, 2007: Table FE-221*.

Some states move back and forth across the donor-donee divide from year to year. HTF revenues are sensitive to the condition of the economy and can have a significant impact in the pattern of payments to the HTF across the states. Some of the results can seem counterintuitive. For example, a donor state may become a donee state because an economic downturn reduces the expenditures on fuel and sales of trucks and heavy tires. Thus, a state may become a donee state not because it is getting more money but because its economy is generating fewer transportation tax revenues for the HTF. This reduces the amount of federal funding needed to bring the state's

[21] Ronald D. Utt, *Highway Trust Fund Inequities Will Get Worse in Future Years*, Heritage Foundation, Web Memo no. 2100, October 9, 2008, http://www.heritage.org/research/smartgrowth/wm2100.cfm

ratio up to 1.0 (or 0.95 depending on your definition of donor status). Another example that can influence donor-donee status is shifts in fuel use. Gasoline, and diesel fuel have different tax rates and, because of this, shifts in use can influence the amount of revenue produced in a state. A shift from gasoline special fuels, for example, could lead to a drop in overall revenues because some special fuels are taxed at a lower rate.

Existing Law: SAFETEA's Equity Bonus Program (EB)

The current equity mechanism is the Equity Bonus Program (P.L. 109-59, section 1104; U.S. Code, Title 23, section 105). Simply put, the way it works is that the individual program formulas determine the initial apportionment amounts provided to each state, and then the equity bonus funding is added to these levels to bring donor states up to their guaranteed rate-of-return. The EB is funded on a such sums as necessary basis. The EB program contains a number of complex requirements of implementation. This section briefly explains these complexities.

The State Percentage Guarantee

Under the SAFETEA EB program, FHWA is directed to allocate sufficient funds to ensure that each state receives a minimum return of 90.5% for FY2005-2006, 91.5% for FY2007, and 92% for FY2008-2009, on their estimated payments to the highway account of the HTF. This percentage calculation is based on a subset of all the FAHP. The programs subject to the EB program are the Interstate Maintenance Program (IM), the National Highway System (NHS), the Surface Transportation Program (STP), the Congestion Mitigation and Air Quality Improvement Program (CMAQ), the Highway Bridge Program (HBP), Recreational Trails, Appalachian Development Highway System, High Priority Projects (HPP), metropolitan planning, the Coordinated Border Infrastructure Program, the Safe Routes to School Program, the Highway Safety Improvement Program (HSIP), and Rail-Highway Grade Crossing Program.

Together these programs and the money apportioned to them are referred to as the "scope" of the EB. As mentioned earlier, these programs are also sometimes referred to as being "below-the-line" (programs and spending outside the scope are referred to as "above-the-line). Since the EB percentage guarantee is only applied to funding within the scope of the EB program, some view the guarantee as a partial one. For example, the 92% guarantee for FY2008 and FY2009 is only to be applied against just over 90% of the total SAFETEA authorization.

Hold Harmless

The EB program also includes a number of "hold harmless" provisions that provide that certain states will either receive the greater of the annual percent return described above, or otherwise receive their percentage share of total apportionments and High Priority Projects over the six-year life of the previous surface transportation reauthorization act, the Transportation Equity Act for the 21st Century (TEA-21; P.L. 105-178). These provisions include certain eligibility thresholds based on state population, population density, highway fatality rates, median household income, and state fuel tax rates. In SAFETEA as passed, the District of Columbia and the following 26 states qualify for funding as hold harmless states under these criteria: Alabama, Alaska, Arizona, Arkansas, Colorado, Delaware, Florida, Idaho, Kentucky, Louisiana, Mississippi, Missouri, Montana, Nebraska, Nevada, New Mexico, North Dakota, Oklahoma, Oregon, South Dakota, Texas, Vermont, Utah, West Virginia, Wisconsin, and Wyoming.

The Minimum Combined Allocation

The EB program sets an annual percentage funding floor, relative to a state's TEA-21 average apportionments and High Priority Projects, beneath which no state can fall. The annual percentage floors are as follows: 117% for FY2005, 118% for FY2006, 119% for FY2007, 120% for FY2008, and 121% for FY2009.

Calculation of the FY2008 Equity Bonus Apportionment

Based on these provisions, a series of calculations is used to determine the EB apportionments needed to bring each state's total apportionment into compliance with the provisions of the EB program. The EB calculation process (using FY2008) is a ten step process. For a detailed explanation, and to get an idea of the complexity of the process, see the FHWA explanatory tables, reproduced in **Appendix B** of this report.

Step 1: Each state's guaranteed minimum program share of the amounts within the scope of the EB program is determined by calculating each state's percent share of total FY2006 payments to the highway account and then multiplying these percentages by the guaranteed 92%. In other words the estimated dollar amounts contributed by each state to the highway account is divided by the estimated national total of highway account contributions received. This creates a percentage share of the total for each state. Since each state is guaranteed a 92% share of its contributions, each state's contribution share percentage is multiplied by 92%.

Step 2: The dollar floor is determined by multiplying each state's average annual TEA-21 apportionments and High Priority Project amounts by 120%. This establishes a dollar amount for each state below which its apportionments and High Priority Projects funding for FY2008 may not fall.

Step 3: The amounts needed to raise each of the 50 states and the District of Columbia to their required dollar floor levels (calculated in step 2) are determined.

Steps 4-8: The total amount of funding needed to bring all states' apportionments plus High Priority Projects into compliance with the EB are estimated and tested until the amount is reached that brings all states up to their minimum share. In FY2008 there were five iterations before the total was identified. For FY2008 the total program size needed to bring all states up to their required share was $37,998,923,126.

Step 9: The EB distribution is determined by calculating the difference for each state's share of the overall program level required and the initial apportionments and High Priority Projects from step 3. The overall difference for FY2008 was $9,235,351,320 which represents the size of the total EB distribution (keep in mind the EB program is authorized on a such sums as necessary basis).

Step 10: The EB distribution is broken down into three categories: the $639 million that is exempt from the obligation limitation; the $2 billion subject to special no-year limitation; and the remainder that is subject to formula limitation (i.e. are distributed to the six core formula programs).

As mentioned earlier, the EB is the largest federal-aid highway program. For FY2008 the EB distribution was almost 25% of total apportionments.

Programmatic Distribution of EB Funding

The programmatic distribution of Equity Bonus Program funds to the states is accomplished by increasing the amounts apportioned to the core formula programs. Each year, the first $2.639

billion is apportioned to the Surface Transportation Program (STP). The rest of the distribution is to each of the core formula programs based on the ratio of each program's apportionment to the total apportionment of all six programs for each state.

Unexpected Consequences

The structure of the EB program and its method of distribution had consequences that were a surprise to some state DOTs as well as some Members of Congress. Some Members were surprised to find that the High Priority Project program earmarks that they had secured did not bring any new funds to their states. Affected Members of Congress and state officials were surprised at how significantly the HPP earmarking reduced the funding they received under the core federal formula programs. In addition, the distribution of EB funds to the core formula programs negated some of the penalties that were designed to discourage certain activities by the states. Most of the unexpected consequences are discussed in more detail in the discussion of "scope" issues in the "Overarching Issues for Congress" section of this report.

Equity Bonus Reauthorization Issues

The persistence of the donor-donee debate in the reauthorization of federal surface transportation programs is a reflection of the differing views and expressed needs of the many stakeholders in federal highway spending policy and the difficulty in addressing these differences. Since 1982, all reauthorization bills have had some form of equity adjustment designed to even out distribution of funds to the states. As mentioned earlier, historically this was achieved by providing large amounts of money to all states but relatively more to the donor states. The current problem of the sufficiency of the HTF could make this historical solution less feasible. A recent forecast by the Congressional Budget Office projected that if spending on highways and highway safety were held at SAFETEA levels, over the next seven years (FY2010-FY2016), adjusted for inflation, the highway account of the HTF would need an additional $64.7 billion (or about $9 billion per year) in new tax revenues or general fund transfers to remain solvent.[22]

Given the condition of the highway account, as well as the constrained overall budgetary environment, there are two major underlying issues regarding the EB program: whether an equity program the size of the EB can be funded and, if so, where will the funding come from. If highway user tax revenues are insufficient and trust fund tax increases are considered out of the question, the expected source would be the Treasury general fund. However, injecting significant amounts of general fund monies into the federal-aid highway programs undercuts the basic rationale for a federal highway spending rate-of-return guarantee based on attribution of highway user tax payments by state.

President Barack Obama's fiscal year 2010 budget outline proposes to make the entire DOT budget discretionary for scorekeeping purposes.[23] The impact of the proposal is uncertain.[24] In

[22] Congressional Budget Office, *Highway Trust Fund Projections: SAFETEA-LU Run 2007-2018*, Washington, DC, January 7, 2009, p. 1.

[23] President Barack Obama, *A New Era of Responsibility: Renewing America's Promise*, Office of Management and Budget, Washington, WA, 2009, pp. 91-92. http://www.whitehouse.gov/omb/assets/fy2010_new_era/A_New_Era_of_Responsibility2.pdf.

[24] The so-called firewalls were created in TEA-21 by amendment of the Balanced Budget and Emergency Deficit Control Act of 1985 (Gramm-Rudman-Hollings Balanced Budget Act; P.L. 99-177).

any case, equity guarantees operated prior to passage of TEA-21 which created the so-called firewall protections and funding guarantees, and could continue to do so.

Some observers, have expressed concern that that the scorekeeping change would allow appropriators to lower the obligation limitation and replace contract authority with regular appropriations, which could lead to more general fund spending on highways.[25]

Modification of the Equity Provisions

Since 1982, the equity provisions have been changed several times in various reauthorization bills and changes are also likely in SAFETEA reauthorization. An increase in the guaranteed rate-of-return percentage of 92% could be considered. Expanding the scope of the equity provisions is also something favored by donor states. In either case, such changes would require a growth in program size or a reduction in funds going to donee states to fund a larger equity overlay unless the underlying core program formulas were rewritten to bring the initial program apportionments more in line with the goals of an increased percentage return guarantee.

Ways to Modify the Existing EB Program

If Congress wishes to change the EB program, it could consider a number of strategies such as:

Phase-in Increases in the Share Guarantee

This is perhaps the simplest cost reducing option. SAFETEA phased in the increase from 90.5% to 92% over the life of the authorization. Although this tactic may save some money, it has drawbacks. First, the annual amounts saved would be small. Second, some of the large donor states would be unhappy with the phase-in proposal, believing equity delayed is equity denied.

Eliminate or modify the "Hold Harmless" provisions

The "hold harmless" provisions that protect certain donee states from losing share amounts, could be retained, modified or eliminated. Again, to bring the percentage guarantee closer to 100% would probably require a weakening of some of the hold harmless provisions (under SAFETEA, 26 states and the District of Columbia were held harmless). Hold harmless provisions, however, more than any other characteristic of equity legislation, are designed to retain or attract votes, especially in the Senate.

Determine Program Size Based on Total Annual Payments to the Highway Account of the HTF

The uncertainties of projecting total program size based on share has led to some discussion of eliminating this process (see step 7 in the earlier section on the EB calculation) and simply using the total annual payments to the highway account of the HTF to determine the program size for each fiscal year. Proponents argue that this change would not only simplify the EB calculation process but would also reduce the unexpected outcomes of tax or other revenue changes. Having total annual payments to the highway account set the total highway program size, according to supporters, would also more effectively align state payments with their allocations.

[25] *Transportation Weekly*, "President Proposes Ending Budget Firewalls, Contract Authority: Would Give Appropriations Committees Full Control of Spending," vol. 10, no. 13 (March 3, 2009), p. 7.

There are a number of possible disadvantages to using total annual payments to the HTF to determine the total program size. As mentioned earlier, the data on contributions are not generally available until early in the second fiscal year after the contributions are made, so the program size would be set according to older data. Also, this method would, in effect, set a ceiling on each year's spending (i.e., there would be no need for the "such sums as may be necessary" authorization for the EB). This could force a reduction in core program authorizations to make room for the EB distributions. Finally, revenues to the HTF can decline (as they did in FY2001 and FY2008). This could put Congress in the uncomfortable position of having to either draw monies from the general fund, draw down the unexpended balance of the HTF (if there is anything left to draw down), or allow program spending to drop for the year.

Restrict the Program Scope of the EB

One way to reduce the cost of the EB is to reduce the number of programs covered by the guarantee (assuming that other attributes are held constant). The states' percent share return on payments to the HTF could be applied to as small a number of the federal-aid highway programs as needed to stay within budget. In the past, donor states have usually supported as broad a scope as possible. As was mentioned earlier, however, adjustments of scope during the authorization process can lead to unexpected consequences.

Integrate the Guaranteed Rate of Return Into All Federal-Aid Highways Programs

If the assumption is that the ultimate goal of federal-aid highway programs is to guarantee each state a certain percentage rate-of-return, for example 95%, then one way to accomplish this would be to eliminate all other formula criteria and weight all the programs within the scope of the EB based on that rate-of-return. Congress would still authorize each program's dollar amount and the old core formula programs could still retain their program goals and requirements, but the apportionment of program funds to the states would be strictly determined by each state's percent share of contributions to the HTF. Funding for allocated (discretionary) programs within the scope of EB could also be divided among the states based on a 95% share of contributions to the HTF. The remaining 5% of revenues could be used to fund program administration, the Federal Lands Highways Program, Emergency Relief, and other small programs that do not lend themselves to a strict rate of return distribution.

This approach has advantages and disadvantages. The main advantage is that it would achieve the goal of a guaranteed percentage share return to the states without requiring an expensive equity program. There would be no separate equity program funding per se, since the rate of return minimum would be integrated into the individual programs. It would also have the advantage of simplicity over the existing EB program. Congress could set the size of the various programs without having to consider the impact on the core programs of the EB distributions.

On the other hand, such an option could limit the ability of the federal government to fund federal policy priorities. The program formulas that include such factors as lane miles, vehicle miles traveled, diesel fuel used, cost to repair or replace deficient bridges, or weighted non-attainment and maintenance area population, were originally, at least in part, an attempt to direct federal funding where it is needed to fulfill the program goals. Some would also argue that basing federal funding distribution primarily on the rate of return of payments to the HTF will lead to inefficiencies where states, for example, with relatively few deficient bridges could receive more bridge program funds than states with relatively more, or states with no air quality non-attainment areas could get more CMAQ funding than some states with non-attainment areas. Perhaps the

main disadvantage of basing all programs on a guaranteed rate of return is that it would doubtless be opposed by donee states who could not only see their shares reduced, but would, in some cases, actually see a reduction in dollars received under the federal programs.

Reduce the Target Minimum Percent Return Below the 95% Level

Some have begun making the case that, under the current fiscal constraints, a higher return percentage is an unrealistic goal for this reauthorization cycle. During SAFETEA reauthorization there was also a major effort to increase the minimum return to 95%. In the end, as discussed previously, only a phased-in increase to 92% was enacted. In the current fiscal environment it is doubtful that an equity program structured like the SAFETEA EB could provide a 95% return. Unless the EB framework is replaced or altered, the minimum rate of return guarantee can only be maintained or modestly increased or decreased.

Statistical Caveats

Statistical analysis of the EB and EB proposals can be problematic. As mentioned earlier, the process of calculating shares and projecting the federal highway program size can lead to results that appear counterintuitive. In addition, because most supporting statistics set forth by proponents or opponents of change in the EB are based on analysis of previous years revenue and funding data, while reauthorization legislation is for future years, the analysis is limited at the outset. Because of uncertainty in future revenue and funding allocations, there is a significant degree of uncertainty in the impact of changes in the EB. Only the FHWA has the databases and expertise to project the impact of these options on equity guarantee calculations in detail and even FHWA must base future projections on assumptions that may not come to pass.

Eliminating the Equity Bonus Program

Congress could decide to forgo an equity provision altogether and allow the program formulas to determine the distribution of highway funds to the states. This scenario, however, would probably require a consensus on programmatic changes that would mitigate the donor-donee state conflicts without requiring a large spending overlay such as is provided by the EB. One way of doing this, as mentioned above, would be to modify the core formula programs so that they are all entirely weighted at or near 100% of states' annual contributions to the highway account of the HTF. Most donee states as well as some donor states would probably oppose such a change.

Overarching Issues for Congress

Although much of the reauthorization debate has focused on the state-by-state estimates of funding flows under the various bills and amendments proposed, there are broad policy implications of the equity guarantee proposals, including the appropriate federal role vis-a-vis the states, program purpose, possible implications for mass transit, as well as a number of other budgetary issues.

The Role of the Federal Government Vis-a-Vis the States

The federal-state partnership in surface transportation has been a fundamental element of federal highway policy since the passage of the 1916 Act (39 Stat. 355), although the nature and extent

has changed over time.[26] Under the Act, funding was apportioned by formula to the state highway departments, which were responsible for the construction and maintenance of the federal aid highways. The state and federal governments were seen as equal partners and this was, in part, the rationale for the 50% federal match for highway construction projects. With the passage of the Federal Aid-Highway and Federal-Aid Revenue Acts of 1956 (70 Stat. 374 and 70 Stat 387), authorizations for the Interstate Highway System were greatly increased over a 13 year period. It also established the federal match for Interstate construction at 90%. The revenue title of the act established the HTF and raised the gas and other transportation taxes to support it. These taxes were to revert back to their original rates in FY1973, the estimated completion date for the Interstate System.[27] However, although the obligations for the Interstate System as a percent of total obligations supported by the trust fund began to decline after 1967, increasing obligations for non-interstate highway programs more than made up for the difference. In addition, with the encouragement of the states, as well as construction and other interest groups, the federal match for the major non-interstate programs was increased from 50% to 70% in 1970, to 75% in 1978, and to 80% in 1992. Over time the relative financial commitment for the federal-aid system has shifted away from the states and toward the federal government.[28]

While the federal financial role was increasing, states were pressing for increased flexibility to move their formula apportionments among the programs, or to transit, thereby, significantly increasing state control over their spending choices under the FAHP. The case can be made that by the enactment of SAFETEA, while the federal financial role had increased significantly, through higher spending and increased federal share, state control over spending decisions was also increasing.

In addition, the EB distribution itself, which averaged roughly $8 billion per year during SAFETEA, dilutes the impact of the program apportionment formula factors, which were originally designed, at least in part, to help achieve federal program goals.

These trends, the enhanced federal financial role, increased state authority over spending decisions, as well as calls during the current reauthorization debate for an increased guaranteed rate of return on a wider scope of FAHP programs, raises important policy questions. At what point does the federal role in decision making become so limited that it might make sense to convert the FAHP to a revenue-sharing or a block grant program? Some would argue that point has already been reached, especially as federal administrative, labor, and environmental requirements do add to most states' project costs. On the other hand, some would argue that despite state complaints concerning the costs of complying with the federal highway program requirements and donor state displeasure with their rates of return, the existing federal highway programs are still seen by many as serving a national purpose and continue to be very popular with most state DOTs.

[26] See Wheeler, Porter K., *Highway Assistance Programs: a Historical Perspective*, Congressional Budget Office, 1978, 86 p. See also archived CRS Report 91-12 E, *Matching Federal Aid for Highways: Rationale from Post Roads to Interstates*, by J.F. Hornbeck. 23 p.

[27] The fuel taxes were 2 cents per gallon prior to passage of the Federal Highway Revenue Act of 1956. The act raised the tax to 3 cents effective July 1, 1956. The tax was again raised in 1959 to 4 cents effective October 1, 1959.

[28] This is not to say that there is no cost to the states in participating in the Federal-Aid Highway Program. Federal administrative, labor, and environmental requirements add significant costs to federal highway projects in some states.

What Really is a Donor State?

For most years under the last two authorization bills (TEA-21 and SAFETEA, FY1998-FY2009) more HTF highway account funding was being spent than was flowing in through revenues. Because of this, on a dollar-in/dollar-out basis, almost all states have become donee states (i.e. the excess of spending over revenues has pulled most donor states' ratio to near or above 1.0). As was mentioned earlier, donor state advocates began to argue against the dollar-in/dollar-out method for determining donor-donee status. They argued that, instead of using dollars, each state's percentage share of tax payments to the highway account should be compared to the states percentage share of total highway funding distribution (percentage-in/percentage-out).[29] This method of calculation allows most donor states to continue to argue that they still are not getting their fair share while in dollar terms most have been getting nearly as much or more than they have been paying into the highway account each year. Among the supporters of the percentage-in/percentage-out method are those who argue that inequitable distribution of highway fund is a reason to eliminate the federal highway program and devolve its responsibilities and financing to the states.[30] Some observers within the transportation community argue that the percentage-in/percentage-out statistical method is questionable and are especially critical of applying percentage-in/percentage-out ratios against spending totals to project a dollar figure that a donor state should be receiving, noting that the projection has no connection to the budget process. Also, the case can be made that the percentage-in/percentage-out calculation makes the donor-donee controversy self-perpetuating. Under this calculation here will always be donor states unless the distribution of every cent of federal spending is based on 100% rate-of-return on state payments to the highway account of the HTF.

General Fund Transfers to the HTF and the Donor-Donee Debate

Over the first 50 years of the life of the HTF significant amounts of money have been transferred from the Treasury's general fund to the HTF.[31] Although much of the transferred funding reflected federal interest payments on the HTF's unexpended balances (theses transfers ended in 1998), the interest was paid by revenues provided by the general taxpayers, and not directly by highway user fees. Some other funds have been transferred to the HTF for a variety of reasons, including the impact of compensating the HTF for lower ethanol tax rates. Given the sufficiency problems faced by the HTF, general fund support for the FAHP (similar to that which is in place for Federal Transit Administration authorization) is one of the options likely to be considered. The use of general funds are problematic for the basic donor-donee argument which is based on return of user fees and taxes paid by highway users. As was mentioned earlier, the pattern of the flow of revenue from the taxpayers in the states to the general fund is different from and has nothing to do with highway user taxes and fees. For example, some long-term HTF donee states such as New York, Massachusetts, and Connecticut are donor states when it comes to general

[29] Utt, Ronald D., *Restoring Regional Equity to the Federal Highway Trust Fund*, Heritage Foundation, Backgrounder no. 2074, Washington, DC, October 9, 2007, pp. 2-4, http://www.heritage.org/Research/SmartGrowth/bg2074.cfm.

[30] Utt, Ronald D., *Highway Trust Fund Inequities Will Get Worse in Future Years*, Heritage Foundation, 2008, Web Memo No. 2100. Available at: http://www.heritage.org/Research/SmartGrowth/wm2100.cfm

[31] From 1956 through FY2007 the $643 billion in tax and fee payments into the fund is roughly 89% of the total $719 billion apportioned or allocated from the HTF. Complicating this issue further, some highway tax revenues have been directed to the general fund. For example, in the early years of the HTF the already existing 10% excise tax on new automobiles continued to be credited to the general fund. Also, from FY1990 through FY1996 a portion of fuel taxes was directed to the general fund for purposes of deficit reduction. These revenues had nothing to do with the HTF, however.

fund expenditures.[32] The larger the general fund contribution to the HTF, the harder it is to argue that states should get a return based on their highway users payments to the highway account.

In September 2008 Congress approved the appropriation of $8.017 billion of general fund revenues to the highway account of HTF (P.L. 110-318). This transfer is equal to roughly 20% of FY2009 funding for highways. Within the context of the donor-donee debate, how general fund money is to be credited could become a significant issue. Should general fund money be treated as if it were highway taxes and credited on that basis across all states or should general fund money be treated differently, perhaps being credited according to state shares of general fund revenues?

Treatment of Stimulus Spending

The American Recovery and Investment Act of 2009 (P.L. 111-5) provided for $27.5 billion in funding from the Treasury general fund to be apportioned and distributed through existing federal-aid highway programs. The version that originally passed the House would have apportioned funds to the states based on their shares of the FY2008 obligation limitation. This method would have reflected the Equity Bonus distribution in its totals. The version that originally passed in the Senate would have simply apportioned the stimulus highway funds according to the STP formulas. As such, the Senate bill would not have reflected an Equity Bonus distribution. As was mentioned earlier, some have questioned the appropriateness of applying shares based on highway tax payments to the spending of general fund-based stimulus spending.[33] In the end, P.L. 111-5 split the difference. After funding a number of set asides, 50% of the remaining funds were to be apportioned according to the House method and 50% according to the Senate method.

The surge of general fund money as stimulus funding could also increase the likelihood of a reexamination of the donor-donee calculation methodology.

"Scope" Issues

An issue that may be seen as being a corollary to the federal role issue is whether a high rate of return percentage, such as 95%, coupled with a similarly broad program scope could constrain a federal programmatic response to federal needs as they arise. Some federal programs, such as the Federal Lands Highways programs, are accepted as being federal in nature and not lending themselves to equal distribution across 50 states. For some programs there is less of a consensus.

As was mentioned earlier, having a 95% or higher guaranteed rate of return and a similar percentage scope would leave little room for targeted federal programs outside the EB. Given the combination of the impact of the EB distribution on apportionments and program flexibility that allows states to flex much of their core program funding among these programs or to transit, the case can be made that programs that are directed toward transportation infrastructure needs that are inherently federal in nature should be outside the scope of the EB. Perhaps an option would be Congress to redefine scope in a way that only programs that serve what are clearly federal purposes could be outside the scope of the EB. These programs could be designated in law as being inherently federal. Any other programs whether formula or discretionary would be retained

[32] Prante, Gerald and Andrew Chamberlain, *Putting Taxes on the Map: Federal Tax Burdens by City, County, Congressional District and State*, Tax Foundation, Special Report no. 150, Washington, DC, March 2007, p. 8, http://www.taxfoundation.org/publications/show/2278.html.

[33] *Transportation Weekly*, "Infrastructure Stimulus: "Use It or Lose It" vs. Regular Funding Distribution, Planning Processes," vol. 10, no. 4 (December 24, 2008), p. 4.

within the scope of the EB. The EB debate would then be focused on a more clearly defined concept of scope. Doing this would require a broad consensus among both donor and donee state Members of Congress. Donor state advocates would probably be concerned that programs defined as being federal in nature could add up over time to the detriment of donor state rates of return. The issue is whether the need for equity is greater than needs that are inherently federal.

The Impact of Scope on Earmarking

Substantial earmarking of federal-aid highway funds is a relatively recent phenomenon. Until the late 1980s, earmarks amounted to about 1% of authorized federal-aid highway spending.[34] In SAFETEA, almost $22 billion or roughly 11% of the $199.5 billion total contract authority in Title I (the highway construction title) of the bill was earmarked.

The issue of earmarking within and outside the scope of the EB surfaced quickly as an issue after the passage of SAFETEA. These SAFETEA earmarks were broadly described as being either "below" or "above the line." It is important to keep in mind that the terms above and below the line, described in this report, are not legal or official budget terms and have no formal meaning to the FHWA, but are informal terms that emerged during the surface transportation reauthorization debate. Below the line refers to earmarks in programs that are subject to provisions of the EB program. These programs are listed in SAFETEA section 1104 (a)(2). Above the line refers to funded programs and activities that are not listed in section 1104 (a)(2) and therefore not subject to the EB.

"Below the Line" Programs

The only below the line earmark program in SAFETEA is the High Priority Project program (HPP). It is, however, by far the largest of the earmarked programs in the Act. SAFETEA provided almost $15 billion under the HPP.

HPP earmarks allow Members of Congress to define their project priorities through the authorization process to their State DOTs.[35] HPP earmarks, however, do not add money to a state's total below the line funding (i.e., the total of core formula funds plus total HPP funds). This seemingly counterintuitive situation occurs because the below the line funding is subject to the EB Program. As has been mentioned earlier, under the EB, funds are distributed across the formula programs under a complex calculation that is designed to assure that all states get a certain minimum share of the below the line funding. Because the total funding under the line is fixed in the authorization bill, this leads to the situation where states that do not get many HPP earmarks tend to receive, in a relative sense, larger distributions from the EB program while states that get a high value of HPP earmarks tend to receive relatively smaller EB distributions (or no EB distribution). This means that the total amount received by a state under the line tends to be roughly the same whether or not they receive high or low dollar totals of HPP funds.

A further implication of this situation is that the more of a state's total below the line funding is derived from HPP funds the less funding is ultimately available to the state for the federal-aid highway core formula programs, upon which the state DOTs depend to fulfill their state transportation improvement plans.

[34] *Transportation Weekly*, "In-Depth Analysis: Earmarked Highway Projects: Their History, Their Nature and Their Role in Highway Legislation," Apr. 10, 2002, p.3.

[35] Most of the rest of the federal-aid highway programs that are " below the line" are formula programs whose funding is administered by the states' departments of transportation.

"Above the Line" Programs

In SAFETEA the major earmarked programs above the line are the National Corridor Infrastructure Improvement Program ($1.9 billion), Projects of National and Regional Significance ($1.8 billion), and Transportation Improvements ($2.5 billion

In contrast to the below the line earmarks, these earmarks have no direct impact on the core formula programs' share of the below the line funding and are viewed as providing additional funding to the state DOTs.

Should policymakers decide to allow earmarking in the upcoming reauthorization legislation, what programs and how much funding should be above or below the line could be an issue.

The Impact of Scope on Penalties

Money forgone due to penalties, such as the penalty for transferring Highway Bridge Program funds, that are, at least in theory, imposed prior to distribution of the EB tend to, in effect, be replaced with EB funds. What the penalty takes away, the EB gives back.[36] Congress could also consider eliminating the counteracting impact of the EB distribution on the FAHP penalty provisions perhaps by imposing the penalties after the distribution of the EB funding. This could affect some states guaranteed percentage share, however.

Minimum Guarantee for Transit?

Although the minimum guarantee/equity remedy debate during the current surface transportation reauthorization debate in Congress has focused exclusively on a guaranteed rate of return on payments to the highway account, some have argued that a similar guarantee should be applied to payments to the mass transit account of the HTF.[37] The mass transit account is credited with the revenues from 2.86 cents of the 18.4 cents federal fuel tax (0.1 cents per gallon of this amount is also directed to the unrelated Leaking Underground Storage Trust Fund). Roughly 80% of the Federal Transit Administration's funding comes from the mass transit account, with the remaining funding provided by treasury general funds. The distribution of nearly all of these funds is, by formula and by earmark, from the federal government to the individual transit authorities (i.e., it differs from the highway programs which are funded through the state DOTs). From a state perspective, the program set-up tends to favor states that have large cities with existing fixed guideway type transit systems (heavy rail, light rail, dedicated bus lanes). Rural states and states with bus dependent transit tend to get less. The top five states receiving federal transit funding (as of FY2007), California, New York, New Jersey, Illinois, and Pennsylvania, received 53% of total transit obligations. Some transit donor states see their tax payments as subsidizing the urbanized states and argue that they have transit needs themselves that are unmet. They also argue that FTA programs unfairly underfund bus-only transit systems in general and that the need for public transportation in rural areas is, in particular, mostly ignored by the current funding distribution.

Supporters of the FTA programs can make a number of arguments in defense of the uneven geographic distribution of transit funding. The main argument is one of program national purpose.

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[36] U.S. Government Accountability Office, *Highway Bridge Program: Clearer Goals and Performance Measures Needed for a More Focused and Sustainable Program*, GAO-08-1043, September 2008, p. 22.

[37] The State Highway Alliance for Real Equity (SHARE) has distanced itself from advocates of a transit guarantee and has a policy statement on its website [http://www.sharestates.org]: "The SHARE Coalition and its predecessors have been organized over the last twenty years in an effort to improve their rate of return in the highway program funds. SHARE specifically focuses on the highway program and has made a deliberate decision not to address transit equity issues."

Under the statement of policies, findings, and purposes in 49 U.S.C. 1501, the focus is clearly on urban mass transportation with a goal to "efficiently maximize mobility of individuals and goods in and through urbanized areas and minimize transportation-related fuel consumption and air pollution." For transit systems to be efficient they need to serve areas of concentrated population. A mass transit 95% guaranteed rate of return would shift large amounts of funding to less densely populated areas where the number of people served would be low and the costs per passenger mile would be high (i.e. would lead to inefficiencies). Some would also argue that the support for a transit minimum guarantee is really based on the assumption by states that they could flex a significant portion of their transit funding to highway programs. Transit donee states may argue that a transit guaranteed rate of return would punish the urban areas that have taken the initiative to build, in some cases before significant federal funding was available, transit systems that are in line with federal policy goals of enhancing urban mobility, reducing fuel consumption, and improving air quality. Finally, transit interests argue that the role of cities as economic centers means that urban mobility benefits not just the cities but the nation as a whole.

The transit minimum guarantee debate has not garnered wide-spread support during the current reauthorization cycles but it would not be surprising for some form of transit equity provision to be at issue in the next reauthorization cycle. The big losers could be California and New York. Interestingly, some states that view themselves as highway donor states are major beneficiaries of the transit program. For example, should California and New Jersey support a donor state position on payments to the highway account of the HTF, they could be in the position of having to oppose a transit minimum guarantee or risk a loss of much more transit funding than they gained through the highway program guarantee. In addition, such a major shift in funding would probably require a major rewriting of the federal transit programs for the programs to make sense as a whole. It would also overturn what many see as the great compromise of 1982 under which the transit account of the HTF was created. Transit dependent states supported an expanded highway program in return.

Devolve the Highway Program to the States?

One approach to the donor-donee controversy that attracted attention during the debate prior to passage of TEA-21, but that has not yet garnered much interest in the current reauthorization debate, would be to simply devolve most of the federal highway program role to the states.[38] The Transportation Empowerment Act (H.R. 1470 and S. 667, 105th Congress), sponsored by former Senator Connie Mack of Florida and former Representative John Kasich of Ohio, would have devolved much of the federal highway program role to the states.[39] Only a program for maintaining the Interstate System, federal lands highways, National Security Highways, Emergency Relief, and a proposed Infrastructure Special Assistance Fund would have remained federal. A four year phase out of 12 cents of the federal gas tax would have corresponded with the declining federal role. States would have had the option of replacing the declining federal taxes

[38] As mentioned previously, "devolution," during the 1990s, generally referred to the shifting of federal programmatic responsibility and funding resources to the states. The relinquishing of a share of the federal tax on gasoline to finance programs returned to state responsibility was a 1987 recommendation of the Advisory Commission on Intergovernmental Relations in its report *Devolving Selected Federal-Aid Highway Programs and Revenue Bases: a Critical Appraisal,* A-108 (Washington, D.C.:U.S. GPO, 1987).

[39] Representative Jeff Flake introduced a bill with similar attributes, H.R. 3113, the Transportation Empowerment Act, on September 17, 2003. The bill was referred to the House Subcommittee on Highways, Transit, and Pipelines on September 18, 2003. There was no further action on the bill. On May 12, 2005, Rep. Flake reintroduced a version of the bill H.R. 2284. Senator Jim Demint introduced S. 2823, the Transportation Empowerment Act, on Apr. 7, 2008.

with gas tax increases of their own. States would then have had the freedom to spend, or not spend, on their own roads and transit systems as they saw fit.

Although this proposal garnered some support from advocates of a reduced federal role in transportation, it did not obtain broad support from many governors, state legislatures, or state DOTs, many of whom were wary of the political implications of pushing large replacement gas tax increases through their state legislatures, and at the same time keeping these funds dedicated to transportation. Despite the failure of devolution proposals to be enacted, some would make the case that the closer the EB guarantee gets to 100%, the more sense devolution to the states makes. They would argue that as the guaranteed rate of return increases, the FHWA's role becomes more like a tax collector for the states. The need for and efficiency of the federal government as middleman comes into question. At this time, however, there appears to be limited interest at the state or federal level for any radical change in the federal role in the highway program.

On the other hand, some argue that, given the nature of the practical politics required to pass surface transportation reauthorization bills, the perceived inequitable nature of the funding distribution relative to payments to the HTF is intractable. From this view, some argue that devolution is the solution to both the rate-of-return inequity in particular and the donor-donee issue as a whole.[40]

[40] Utt, Ronald D., *Highway Trust Fund Inequities Will Get Worse in Future Years*, Heritage Foundation, Washington, DC, 2008, http://www.heritage.org/Research/SmartGrowth/wm2100.cfm.

Appendix A. Legislative History

Surface Transportation Assistance Act of 1982 (STAA)

STAA (P.L. 94-424) authorized a significant increase in funding for the Federal-Aid Highway system for FY1983-FY1986 and included a provision designed to mitigate the dissatisfaction of donor states by providing that each state would receive a minimum allocation (also known as the minimum guarantee) from the core FHWA programs.[41] Specifically, the bill ordered the FHWA to allocate among the states sufficient funds to assure that each state's total apportionments from the core highway and safety programs (Interstate Highway Substitution, Primary, Secondary, Interstate, Urban, Bridge Replacement and Rehabilitation, hazard elimination, and rail-highway crossings, and section 203 of the Highway Safety Act of 1973) would not be less than 85% of the percentage of estimated tax payments each state paid into the highway account of the HTF. These "equity adjustment" allocations could be obligated to the core highway programs.

Surface Transportation and Uniform Relocation Assistance Act of 1987 (STURAA)

STURAA (P.L. 100-17) authorized the Federal-Aid Highway Program for FY1987-1991, retaining the 85% minimum allocation, but altering the basis of its calculation. The act revised the calculation to include the allocated (sometimes referred to as discretionary) programs, with the exception of federal lands programs and safety programs. For FY1987 and FY1988 emergency relief funds and interstate construction discretionary funds were not included in the calculation. The act continued the minimum allocation provision established by STAA.

With the exception of the changes in the treatment of the minimum guarantees, the formulas for allocation of funds under STAA and STURAA remained the same. Minor changes were made in the criteria for awarding discretionary program grants. Emergency Relief and Federal Lands Highways grants continued to be distributed on a project-by-project and needs basis, respectively.

Intermodal Surface Transportation Efficiency Act of 1991 (ISTEA)

ISTEA (P.L. 102-240) reauthorized surface transportation programs, including Federal-Aid Highway Programs, for FY1992-FY1997, making major changes in the overall program structure, program formulas, minimum allocation, and other provisions that could impact the state donor-donee ratios. To a great extent, the changes were an outgrowth of the fact that the remaining unfinished portions of the interstate system would be completed under ISTEA. The act also enunciated a broader vision of the mission of federal highway programs to include air quality, alternative transportation, and historic preservation. ISTEA retained the three formula programs that provided funding for the Interstate system (Interstate Construction, Interstate Maintenance, and Interstate Highway Substitution) as well as the Bridge Replacement and Rehabilitation Program. The other formula programs, such as, the Primary System, Secondary System, Urban System, and Urban Transportation Planning, were replaced by the National Highway System Program, the Surface Transportation Program, and the Congestion Mitigation and Air Quality

[41] STAA also established the Mass Transit Account of the HTF but did not make it subject to the minimum guarantee. The donor-donee discussion is limited to the highway account of the HTF and does not take into consideration federal mass transit funding which is also paid for by federal fuel taxes but is deposited into a separate account. Although, typically, donee states in the Northeast are more transit dependent, some highway donor states get significant federal transit funding, while some donee states, especially the large "pass-through" Western States get relatively little.

Program. The distribution criteria for projects under the discretionary programs remained the same except that the Interstate Construction Program (renamed the Interstate Discretionary Program) was changed to be at the discretion of the U.S. Department of Transportation (USDOT) and the Interstate 4R (for resurfacing, restoring, rehabilitation, and reconstructing lanes on the Interstate System) program funds were now a set-aside within the new National Highway System Program.

Equity Adjustment Provisions

ISTEA included five provisions, with separate funding, designed to assure a more equitable distribution of federal funds to the states.

The 90% Guarantees

The act raised the minimum allocation to 90% of estimated state contributions to the highway account of the HTF (although narrowing its calculation to the core formula programs, scenic byways, safety belt and motorcycle safety grants).

The act also included a new minimum payments guarantee (of a broader scope than the minimum allocation discussed above) that assured that each state's apportionments (for the core formula programs) for the fiscal year and allocations (to the discretionary programs) from the previous year would be at least 90% of its estimated state contributions (i.e., calculated from all programs except special projects).

Donor State Bonus

For each fiscal year, donor states were identified by comparing projected contributions to the HTF with the apportionments to be received that year by each state. Under the donor state bonus, starting with the state with the lowest return, each state was brought up to the level of the state with the next highest level of return. This was repeated successively for each state until the ISTEA authorized program amount was exhausted.

Hold Harmless

This provision set a specific percentage that each state was to receive from the core formula highway programs plus Federal Lands Highway Programs, minimum allocation, donor state bonus, and Interstate Reimbursement. Each state received an addition to its regular apportionments to raise its total to the set percentage.

Reimbursement for Interstate Segments

ISTEA authorized $2 billion for FY1996 and FY1997 to reimburse each state for the costs to them of building segments of the Interstate System without federal assistance prior to or during the early days of the Interstate Construction Program.

Despite all of the above provisions significant gaps remained among states on their share return on contributions to the HTF. As reauthorization of ISTEA approached, dissatisfaction with the effectiveness of the equity provisions led to challenges to the ISTEA program paradigm.

Transportation Equity Act for the 21st Century (TEA-21)

The reauthorization debate that preceded passage of TEA-21 (P.L. 105-178) included a wide range of views on the donor-donee state issue and is worth reviewing because all the major

underlying arguments that had emerged over time, reemerged during the TEA-21 debate. Significant characteristics of the debate included a greater, primarily regional role and virtually no role for party affiliation. Also in play were different philosophies of the appropriate role of the federal government vis-a-vis the states, differing views of whether the completion of the Interstate Highway system should trigger a reduction in federal involvement in highway construction; how national highway needs criteria can fit a return-on-the-tax-dollar view, and the influence of a large increase in gas tax revenue to the HTF on program structure.

Regional Conflict Over Funding

Under ISTEA, Southern and Mid-Western States made up most donor states while Northeastern, Pacific coast, and large sparsely populated Western States made up most of the donee states. In general, donee states were satisfied with the distribution under ISTEA and supported the "ISTEA works" legislation that, in general, adhered to the ISTEA funding formulas. Most of the donor states joined "STEP-21," a coalition whose centerpiece proposal was a guarantee that each state receive at least a 95% return on its estimated contribution to the highway account of the HTF. The dominance of regional differences over party affiliation was reflected on the Senate Committee on Environment and Public Works, where the Republican committee leadership supported the donee friendly "ISTEA works" bill while a Republican colleague, sponsored the Streamlined Transportation Efficiency Program for the 21st Century (STEP 21) which included the 95 cents on the dollar guarantee, as well as program formula changes supported by donor states.

Devolution

What most observers considered a more radical approach was the Transportation Empowerment Act, sponsored by Senator Connie Mack of Florida and Representative John Kasich of Ohio. This bill would have devolved much of the federal highway program role to the states. Only a program for maintaining the Interstate System and federal lands highways would have remained federal. A four year phase out of 12 cents of the federal gas tax would have corresponded with the declining federal role. States would have had the option of replacing the declining federal taxes with gas tax increases of their own. States would then have had the freedom to spend, or not spend, on their own roads as they saw fit. Although this proposal garnered some support from advocates of a reduced federal role, it did not obtain broad support from many Governors, state legislatures, or state departments of transportation, many of whom were wary of the political implications of pushing large replacement gas tax increases through their state legislatures, and at the same time keeping these funds programmed for highways.

TEA-21 Equity Provision Changes

The equity changes that followed the debate and were included in TEA-21 were more limited than most would have expected early in the reauthorization debate. The main reason for this was the large increase (roughly 40%) in overall funding levels. Still there were equity provisions that were included in the hope that they would narrow the donor-donee divide.[42]

Minimum Guarantee

The TEA-21 minimum guarantee had three components:

[42] P.L. 105-178, Sec. 1104. Also 23 U.S.C. Sec. 105.

Guaranteed Base Share

TEA-21 guaranteed each state a percentage share (set forth in a table in 23 U.S.C. 105) of the total program, defined as all the apportioned programs: Interstate Maintenance Program (IM), National Highway System Program (NHS), Surface Transportation Program (STP), Highway Bridge Replacement and Rehabilitation Program (HBRRP), Congestion Mitigation and Air Quality Program (CMAQ), Metropolitan Planning, Recreational Trails Program, Appalachian Development Highway System Program and Minimum Guarantee, as well as High Priority Projects.

Minimum 90.5% Share on Contributions

All states were guaranteed at least 90.5% return (up just 0.5% over ISTEA) on their share of tax contributions to the highway account of the HTF (based on the most recent year for which the data are available — generally from two fiscal years before). Using Ohio as an example, of total FY2001 highway account contributions, Ohio's percentage share contributions amounted to 3.7578%. Ohio was guaranteed 90.5% of its share of estimated FY2001 contributions and was thus guaranteed a minimum share of 3.4008% of the FY2003 apportionments (i.e., the core formula programs), plus High Priority Projects and the Minimum Guarantee itself. If the above base share was less than a 90.5% return to a state then the share was adjusted upward until the 90.5% share was reached. The money to raise shares to 90.5% was provided by "squeezing" down the percentages (but not the total amounts) of those states that were above the minimum.

Minimum State Payment

Each state was guaranteed that as part of the minimum guarantee it would receive at least $1 million in Minimum Guarantee funds.

It is important to keep in mind that the TEA-21 Minimum Guarantee was a compromise provision. It was constructed in such a way as to give money to all states in the process of bringing the donor states up to the 90.5% minimum guarantee.[43] Each state received the $1 million minimum. Then, the lowest percent share of any state or the District of Columbia (generally the District) was used to extrapolate the total program funding (as defined under Minimum Guarantee) needed for the District to retain its total program percentage. For example, using FY2003, because the District's program level percent share of 0.3860% was lower than the District's percentage of total apportionments (roughly 0.5%), high priority projects, and $1 million guarantee, and because no money could be taken back, the only way to achieve the District's 0.3860 % was to raise the national total. To achieve that percentage for the District, a total FY2003 program size of $27.76 billion was needed. The total Minimum Guarantee program funding needed to achieve this total was over $6 billion. Ironically, the degree of the District's donor status meant more money for all states (in absolute, not relative terms).

Minimum Guarantee Distribution

Each year, the first $2.8 billion of Minimum Guarantee funds were administered as STP funds (see STP discussion below) except that set-asides for Transportation Enhancements, Safety Construction, and certain population-based sub-state allocations did not benefit from this distribution. Any Minimum Guarantee funds above $2.8 million were distributed to the five core

[43] TEA-21 authorizes such sums as may be necessary for FY1998-FY2003 for MG.

programs: STP, Interstate Maintenance (IM); Highway Bridge Replacement and Rehabilitation Program (HBRRP); National Highway System (NHS); Congestion Mitigation and Air Quality Improvement (CMAQ). The distributions to the states were based on the ratio of each core program's apportionment to the total apportionment of all five programs for each state.[44]

Program Formula Changes

TEA-21 also included formula changes that were perceived as benefitting donor states.[45]

Interstate Maintenance Program

TEA-21 reduced the weight given each state's share of total Interstate Highway System lane miles and total state share of Interstate System vehicle miles traveled to 1/3 each and created a third weighed category that provided the final 1/3 be distributed based on each state's percent share of annual contributions to the HTF attributable to commercial vehicles. This final weighted third was expected to benefit donor states.

Surface Transportation Program

STP's apportionment formula under TEA-21 was weighted 35% to estimated state share of tax payments paid into the highway account of the HTF. This also was expected to benefit donor states. State share of total lane miles of Federal-aid highways (25%) and share of total vehicle miles traveled on Federal-aid highways (40%) were the other weighted attributes in the STP apportionment formula.

National Highway System Program

TEA-21's NHS apportionment formula was weighted at 30% of a state's share of diesel fuel used on highways. Some observers expected that this would also benefit donor states.

The Resolution of the TEA-21 Donor-Donee Debate

In the end, what many observers had predicted would be a major battle between donor and donee states was resolved relatively amicably.[46] This occurred despite the donor states only being able to achieve a 0.5% increase in the minimum guarantee percentage and formula changes, which some predicted would have little impact on donor state returns on the tax revenues these states paid to the highway account of the HTF. Some even argued that donor states would have been better off if TEA-21 had retained the ISTEA formulas. In the case of TEA-21, what alleviated the concerns of STEP-21 and other donor state advocates was the amount of money available during TEA-21's lifetime. By shifting, in 1997, revenues generated by the 4.3 cent deficit reduction gas tax to the HTF, Congress was able to provide large increases in highway funding for all states. The extra money made the donor-donee debate less urgent to the donor states. As the TEA-21 authorization neared its expiration (FY2003), however, the donor-donee state issue resurfaced.[47]

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[44] 23 U.S.C. 105 (c) (1).

[45] P.L. 105-178 Sec. 1103. Also 23 U.S.C. 104.

[46] See Earle, Geoff, Once and Future ISTEA, *Governing Magazine*, Feb. 1998; *Congress Daily*, STEP-21 Coalition Claims Victory, National Journal: Congress Daily, Oct. 3, 1997.

[47] Brown, Jeffrey, *Donor States v.s. Donee States: the Geopolitical Struggle Over Federal Highway Dollars*, Florida State University, Tallahassee, FL, [2003?], 19 p. This paper provides a regression analysis of rate-of-return for FY1990, FY1995, and FY2000.

TEA-21 created a so-called "firewall" around the highway account to prevent highway account funds being used for non-highway purposes. It also required that spending from the highway account approximately equal the revenues flowing into the account on an annualized basis. To make sure that annual spending and revenues were roughly equal each year, the Act provided for Revenue Aligned Budget Authority (RABA) to be distributed proportionally across all states to maintain a balance of spending and revenue flows. Although these changes did not affect the operation of the TEA-21 minimum guarantee they did have an overall impact on the availability of funds to support the minimum guarantee program, which was funded on a "such sums as necessary" basis.

Appendix B. How FHWA Calculates the Equity Bonus Apportionment[48]

[48] The following tables were provided by the Federal Highway Administration.

Table B-1. Calculating the Equity Bonus Apportionments for FY2008

Step 1:	Determination of Minimum Program Share						Revised July 2008
	Based on Contributions to Highway Account			Based on Special Rule (Qualified States Only)		Minimum Share	
State	FY 2006 Highway Account Contributions ($000)	Share of Contributions	Share Based on Contributions (Share of Contributions times 92%)	Does State Qualify for Special Rule?	Share of Apportionments and High Priority Projects under TEA-21	Greater of Two Shares	
	(1)	(2)	(3)	(4)	(5)	(6)	The Equity Bonus (EB) is calculated after
ALABAMA	660,130	1.9598%	1.8030%	Yes	1.99950%	1.9995%	all other apportionments.
ALASKA	119,894	0.3559%	0.3275%	Yes	1.17044%	1.1704%	
ARIZONA	707,320	2.0999%	1.9319%	Yes	1.65867%	1.9319%	The Equity Bonus provision guarantees
ARKANSAS	425,049	1.2619%	1.1609%	Yes	1.30921%	1.3092%	that each State's share of the sum of
CALIFORNIA	3,376,775	10.0250%	9.2230%			9.2230%	apportioned programs--IM, NHS, STP,
COLORADO	503,241	1.4940%	1.3745%	Yes	1.19826%	1.3745%	Bridge, CMAQ, Rec. Trails, ADHS, Metro
CONNECTICUT	339,201	1.0070%	0.9265%			0.9265%	Planning, HSIP, Safe Routes to School,
DELAWARE	89,414	0.2655%	0.2442%	Yes	0.43478%	0.4348%	Rail-Highway Grade Crossing, Border, and
DISTRICT OF COL.	28,484	0.0846%	0.0778%	Yes	0.38859%	0.3886%	the Equity Bonus itself--along with High
FLORIDA	1,839,725	5.4618%	5.0249%	Yes	4.66821%	5.0249%	Priority Projects will be at least a specified
GEORGIA	1,324,981	3.9336%	3.6189%			3.6189%	percentage (92% for FY 2008) of its
HAWAII	83,576	0.2481%	0.2283%			0.2283%	share of Highway Account contributions.
IDAHO	174,310	0.5175%	0.4761%	Yes	0.76033%	0.7603%	
ILLINOIS	1,270,327	3.7714%	3.4697%			3.4697%	In columns (1)-(3) we (FHWA) determine the
INDIANA	929,679	2.7600%	2.5392%			2.5392%	share of apportionments (including the EB)
IOWA	429,483	1.2751%	1.1731%			1.1731%	and high priority projects that a State must
KANSAS	336,280	0.9984%	0.9185%			0.9185%	receive to meet the guaranteed 92% return
KENTUCKY	618,546	1.8364%	1.6894%	Yes	1.73855%	1.7385%	on its share of Highway Account contributions.
LOUISIANA	570,683	1.6943%	1.5587%	Yes	1.59396%	1.5940%	
MAINE	169,306	0.5026%	0.4624%			0.4624%	This computation is based on estimated
MARYLAND	586,076	1.7400%	1.6008%			1.6008%	contributions for the latest fiscal for which data
MASSACHUSETTS	558,798	1.6590%	1.5263%			1.5263%	are available. For the FY 2008 Equity Bonus
MICHIGAN	1,042,640	3.0954%	2.8478%			2.8478%	calculations, FY 2006 Highway Account contri-

Step 1:	Determination of Minimum Program Share						Revised July 2008
	Based on Contributions to Highway Account			Based on Special Rule (Qualified States Only)		Minimum Share	
MINNESOTA	615,227	1.8265%	1.6804%			1.6804%	butions are used (shown in column (1)).
MISSISSIPPI	444,328	1.3191%	1.2136%	Yes	1.23459%	1.2346%	
MISSOURI	827,700	2.4573%	2.2607%	Yes	2.36963%	2.3696%	In column (2) we determine what share of the
MONTANA	153,906	0.4569%	0.4204%	Yes	0.97579%	0.9758%	total Highway Account contributions came from
NEBRASKA	257,528	0.7646%	0.7034%	Yes	0.76357%	0.7636%	each State by dividing each State's contributions
NEVADA	288,552	0.8567%	0.7881%	Yes	0.71225%	0.7881%	by the national total.
NEW HAMPSHIRE	139,570	0.4144%	0.3812%			0.3812%	
NEW JERSEY	950,270	2.8212%	2.5955%			2.5955%	Since the Equity Bonus promises a 92%
NEW MEXICO	304,666	0.9045%	0.8321%	Yes	0.97065%	0.9706%	return on each State's share of Highway Account
NEW YORK	1,323,492	3.9292%	3.6149%			3.6149%	contributions, we multiply the share of contri-
NORTH	1,016,722	3.0185%	2.7770%			2.7770%	butions in column (2) by 92%. The result is in
NORTH DAKOTA	107,620	0.3195%	0.2939%	Yes	0.64402%	0.6440%	column (3).
OHIO	1,317,878	3.9125%	3.5995%			3.5995%	
OKLAHOMA	525,055	1.5588%	1.4341%	Yes	1.52120%	1.5212%	
OREGON	410,792	1.2196%	1.1220%	Yes	1.21695%	1.2169%	For States that qualify, the Equity Bonus
PENNSYLVANIA	1,302,050	3.8656%	3.5563%			3.5563%	guarantees that the State's share of
RHODE ISLAND	81,237	0.2412%	0.2219%			0.2219%	apportionments (including the EB) and High
SOUTH CAROLINA	596,456	1.7708%	1.6291%			1.6291%	Priority Projects will be at least equal to its
SOUTH DAKOTA	123,133	0.3656%	0.3363%	Yes	0.71620%	0.7162%	share of apportionments and High Priority
TENNESSEE	818,963	2.4314%	2.2368%			2.2368%	Projects under TEA-21. In columns (4) and (5),
TEXAS	2,952,274	8.7648%	8.0636%	Yes	7.54262%	8.0636%	we show whether a State qualifies for this
UTAH	286,014	0.8491%	0.7812%	Yes	0.77359%	0.7812%	(detail on next page) and its share of TEA-21
VERMONT	72,054	0.2139%	0.1968%	Yes	0.44923%	0.4492%	apportionments.
VIRGINIA	960,353	2.8511%	2.6230%			2.6230%	
WASHINGTON	618,937	1.8375%	1.6905%			1.6905%	
WEST VIRGINIA	225,074	0.6682%	0.6147%	Yes	1.11009%	1.1101%	Column (6) shows the greater of the two
WISCONSIN	612,349	1.8180%	1.6725%	Yes	1.95628%	1.9563%	shares--the one based on the 92.0% return
WYOMING	167,308	0.4967%	0.4570%	Yes	0.68588%	0.6859%	and the TEA-21 share. Each state will receive not
TOTAL	33,683,426	100%	92.0%	27	40.563024%	97.1141%	High Priority Projects.

Source: FHWA

Table B-2. Step 2: Computing the Dollar Floor

Equity Bonus Apportionment - FY 2008

Step 2:	Compute Dollar Floor		
	120% of Average Annual TEA-21 Apportionments and High Priority Projects (HPP)		
State	TEA-21 Aver. Ann. Apportionments and HPPs (1)	120% of TEA-21 Average Annual (2)	
ALABAMA	558,328,105	669,993,726	In addition to the two share based approaches
ALASKA	326,827,381	392,192,857	described on previous pages, the Equity
ARIZONA	463,157,671	555,789,205	Bonus guarantees that each state will receive
ARKANSAS	365,575,583	438,690,700	apportionments (including the EB) plus
CALIFORNIA	2,553,243,954	3,063,892,745	High Priority Projects equal to at least
COLORADO	334,594,734	401,513,680	a certain percentage (120% for 2008) of its
CONNECTICUT	416,387,905	499,665,485	average annual TEA-21 apportionments and
DELAWARE	121,404,732	145,685,678	High Priority Projects. Note this floor is
DIST. OF COL.	108,507,402	130,208,882	expressed in dollars, not in program shares.
FLORIDA	1,303,522,941	1,564,227,529	
GEORGIA	985,048,097	1,182,057,716	Column (1) shows the average annual
HAWAII	141,958,070	170,349,683	TEA-21 apportionments and High Priority
IDAHO	212,310,656	254,772,788	Project allocations.
ILLINOIS	927,169,304	1,112,603,165	
INDIANA	660,387,364	792,464,836	Column (2) shows the average annual
IOWA	329,554,208	395,465,049	multiplied by 120%.
KANSAS	321,304,097	385,564,917	
KENTUCKY	485,461,684	582,554,020	Regardless of the share calculations in
LOUISIANA	445,088,558	534,106,269	in step 1, no State will receive fewer dollars
MAINE	146,044,554	175,253,465	than the amount shown in column (2).
MARYLAND	443,219,686	531,863,623	
MASSACHUSETTS	515,085,233	618,102,280	
MICHIGAN	884,266,420	1,061,119,703	
MINNESOTA	410,879,135	493,054,962	
MISSISSIPPI	344,740,210	413,688,252	
MISSOURI	661,682,742	794,019,290	

Step 2:	Compute Dollar Floor	
	120% of Average Annual TEA-21 Apportionments and High Priority Projects (HPP)	
State	TEA-21 Aver. Ann. Apportionments and HPPs (1)	120% of TEA-21 Average Annual (2)
MONTANA	272,474,525	326,969,430
NEBRASKA	213,215,560	255,858,672
NEVADA	198,883,564	238,660,277
NEW HAMPSHIRE	141,895,714	170,274,857
NEW JERSEY	725,530,617	870,636,741
NEW MEXICO	271,038,261	325,245,913
NEW YORK	1,415,097,862	1,698,117,434
NORTH CAROLINA	778,064,319	933,677,183
NORTH DAKOTA	179,831,478	215,797,773
OHIO	963,308,164	1,155,969,796
OKLAHOMA	424,770,200	509,724,240
OREGON	339,813,375	407,776,050
PENNSYLVANIA	1,383,667,693	1,660,401,232
RHODE ISLAND	164,327,250	197,192,700
SOUTH CAROLINA	457,541,146	549,049,375
SOUTH DAKOTA	199,986,896	239,984,275
TENNESSEE	629,386,744	755,264,092
TEXAS	2,106,157,841	2,527,389,409
UTAH	216,012,661	259,215,193
VERMONT	125,440,355	150,528,425
VIRGINIA	711,843,995	854,212,794
WASHINGTON	491,625,367	589,950,440
WEST VIRGINIA	309,975,967	371,971,161
WISCONSIN	546,259,882	655,511,858
WYOMING	191,521,113	229,825,336
TOTAL	27,923,420,971	33,508,105,165

Source: FHWA

Table B-3. Step 3: Raising States to the Dollar Floor

State	Apportionments (Excluding Equity Bonus) plus High Priority Projects (1)	Dollar Floor 120% of Average Annual TEA-Annual21 $ (2)	Greater of Column (1) or Column (2) (3)	In the previous step, we determined a minimum share and a dollar floor for each State.
ALABAMA	518,758,511	669,993,726	669,993,726	Note that the overall programs level--remains
ALASKA	252,879,164	392,192,857	392,192,857	That is, minimum share of WHAT?
ARIZONA	473,388,271	555,789,205	555,789,205	
ARKANSAS	372,867,639	438,690,700	438,690,700	First we compare the amount already apportioned
CALIFORNIA	2,862,999,103	3,063,892,745	3,063,892,745	to each State plus its High Priority Project funds
COLORADO	430,414,847	401,513,680	430,414,847	to the dollar floor from Step 2.
CONNECTICUT	385,900,595	499,665,485	499,665,485	
DELAWARE	142,910,640	145,685,678	145,685,678	
DIST. OF COL.	149,550,231	130,208,882	149,550,231	
FLORIDA	1,136,899,652	1,564,227,529	1,564,227,529	Column (1) shows the amount apportioned
GEORGIA	837,209,001	1,182,057,716	1,182,057,716	to each State, excluding the Equity Bonus, plus
HAWAII	153,257,829	170,349,683	170,349,683	its High Priority Project funds.
IDAHO	195,182,788	254,772,788	254,772,788	
ILLINOIS	1,003,228,485	1,112,603,165	1,112,603,165	Column (2) shows the dollar floor from
INDIANA	592,678,227	792,464,836	792,464,836	Step 2, column (2).
IOWA	402,742,945	395,465,049	402,742,945	
KANSAS	365,424,382	385,564,917	385,564,917	In Column (3), we see the greater of the
KENTUCKY	520,142,182	582,554,020	582,554,020	two dollar figures ensuring that each
LOUISIANA	531,951,536	534,106,269	534,106,269	State is at or above the dollar floor.
MAINE	186,229,357	175,253,465	186,229,357	
MARYLAND	514,670,978	531,863,623	531,863,623	Nine States, shown in bold, were already
MASSACHUSETTS	579,819,034	618,102,280	618,102,280	above the floor. These are Colorado,
MICHIGAN	835,151,315	1,061,119,703	1,061,119,703	the District of Columbia, Iowa, Maine, Nebraska,
MINNESOTA	486,224,560	493,054,962	493,054,962	Oregon, Rhode Island, Vermont, and Washington.
MISSISSIPPI	393,655,210	413,688,252	413,688,252	These states are NOT adjusted
MISSOURI	670,568,742	794,019,290	794,019,290	downward. The Equity Bonus provision works
MONTANA	240,689,458	326,969,430	326,969,430	by distributing additional funds to States, not

State	Apportionments (Excluding Equity Bonus) plus High Priority Projects (1)	Dollar Floor 120% of Average Annual TEA-Annual21 $ (2)	Greater of Column (1) or Column (2) (3)	In the previous step, we determined a minimum share and a dollar floor for each State.
NEBRASKA	260,348,979	255,858,672	260,348,979	by taking funds away from States.
NEVADA	227,911,436	238,660,277	238,660,277	
NEW HAMPSHIRE	142,548,878	170,274,857	170,274,857	
NEW JERSEY	727,027,441	870,636,741	870,636,741	
NEW MEXICO	280,609,925	325,245,913	325,245,913	
NEW YORK	1,475,237,149	1,698,117,434	1,698,117,434	
NORTH CAROLINA	750,618,511	933,677,183	933,677,183	
NORTH DAKOTA	216,549,092	215,797,773	216,549,092	
OHIO	991,210,977	1,155,969,796	1,155,969,796	
OKLAHOMA	464,998,785	509,724,240	509,724,240	
OREGON	412,006,256	407,776,050	412,006,256	
PENNSYLVANIA	1,356,402,848	1,660,401,232	1,660,401,232	
RHODE ISLAND	203,618,492	197,192,700	203,618,492	
SOUTH CAROLINA	431,888,278	549,049,375	549,049,375	
SOUTH DAKOTA	218,563,429	239,984,275	239,984,275	
TENNESSEE	618,721,850	755,264,092	755,264,092	
TEXAS	1,997,563,619	2,527,389,409	2,527,389,409	
UTAH	247,072,575	259,215,193	259,215,193	
VERMONT	170,453,328	150,528,425	170,453,328	
VIRGINIA	709,871,843	854,212,794	854,212,794	
WASHINGTON	597,499,500	589,950,440	597,499,500	
WEST VIRGINIA	337,062,132	371,971,161	371,971,161	
WISCONSIN	473,219,956	655,511,858	655,511,858	
WYOMING	217,171,882	229,825,336	229,825,336	
TOTAL	28,763,571,843	33,508,105,165	33,617,973,053	

Source: FHWA

Table B-4. Step 4: Determine Program Level—First Attempt

STEP 4—FIRST ATTEMPT	Apportionments (Excluding EB) plus HPP Projects Raised To Floor	Share of National Total	Minimum Share (From Step 1)	Required Share for States Currently Below Required Share	Minimum Program for Other States	1st Try Results	In the previous step, we determined a minimum share and a dollar floor for each State. We then raised each State's funding to the calculated floor.
State	(1)	(2)	(3)	(4)	(5)	(6)	
ALABAMA	669,993,726	1.9930%	1.9995%	1.9995%		726,802,802	
ALASKA	392,192,857	1.1666%	1.1704%	1.1704%		425,447,070	
ARIZONA	555,789,205	1.6533%	1.9319%	1.9319%		702,236,235	
ARKANSAS	438,690,700	1.3049%	1.3092%	1.3092%		475,887,486	Column (1) shows the apportionments
CALIFORNIA	3,063,892,745	9.1139%	9.2230%	9.2230%		3,352,504,893	to each State thus plus High Priority
COLORADO	430,414,847	1.2803%	1.3745%	1.3745%		499,624,024	funds after bringing each State up to the
CONNECTICU	499,665,485	1.4863%	0.9265%		499,665,485	499,665,485	floor as required in step 3.
DELAWARE	145,685,678	0.4334%	0.4348%	0.4348%		158,038,434	
DIST. OF COL.	149,550,231	0.4449%	0.3886%		149,550,231	149,550,231	Column (2) shows what share of the
FLORIDA	1,564,227,529	4.6530%	5.0249%	5.0249%		1,826,502,229	total each State has received thus far.
GEORGIA	1,182,057,716	3.5161%	3.6189%	3.6189%		1,315,457,881	
HAWAII	170,349,683	0.5067%	0.2283%		170,349,683	170,349,683	Column (3) repeats the minimum share
IDAHO	254,772,788	0.7578%	0.7603%	0.7603%		276,375,090	in step 1.
ILLINOIS	1,112,603,165	3.3095%	3.4697%	3.4697%		1,261,196,699	
INDIANA	792,464,836	2.3573%	2.5392%	2.5392%		922,997,060	In column (4) we show the minimum share
IOWA	402,742,945	1.1980%	1.1731%		402,742,945	402,742,945	states that have not yet achieved it through
KANSAS	385,564,917	1.1469%	0.9185%		385,564,917	385,564,917	the initial apportionments and High
KENTUCKY	582,554,020	1.7329%	1.7385%	1.7385%		631,949,044	plus the amount added (if any) to reach the
LOUISIANA	534,106,269	1.5888%	1.5940%	1.5940%		579,393,386	dollar floor set by the Equity Bonus
MAINE	186,229,357	0.5540%	0.4624%		186,229,357	186,229,357	
MARYLAND	531,863,623	1.5821%	1.6008%	1.6008%		581,863,659	For states that are already (or above) the
MASSACHUSET	618,102,280	1.8386%	1.5263%		618,102,280	618,102,280	share, column (5) shows the dollar amount
MICHIGAN	1,061,119,703	3.1564%	2.8478%		1,061,119,703	1,061,119,703	they have already received from the initial
MINNESOTA	493,054,962	1.4666%	1.6804%	1.6804%		610,805,140	apportionments and High Priority Projects
MISSISSIPPI	413,688,252	1.2306%	1.2346%	1.2346%		448,765,069	the amount added (if any) to reach the
MISSOURI	794,019,290	2.3619%	2.3696%	2.3696%		861,344,551	floor set by the Equity Bonus provision.

STEP 4—FIRST ATTEMPT	Apportion-ments (Excluding EB) plus HPP Projects Raised To Floor	Share of National Total	Minimum Share (From Step 1)	Required Share for States Currently Below Required Share	Minimum Program for Other States	1st Try Results	In the previous step, we determined a minimum share and a dollar floor for each State. We then raised each State's funding to the calculated floor.
State	(1)	(2)	(3)	(4)	(5)	(6)	
MONTANA	326,969,430	0.9726%	0.9758%	0.9758%		354,693,318	
NEBRASKA	260,348,979	0.7744%	0.7636%		260,348,979	260,348,979	At this point an interative process starts to
NEVADA	238,660,277	0.7099%	0.7881%	0.7881%		286,478,072	determine the overall program level--the
NEW	170,274,857	0.5065%	0.3812%		170,274,857	170,274,857	of the initial apportionments, High Priority
NEW JERSEY	870,636,741	2.5898%	2.5955%	2.5955%		943,440,065	Projects, AND the Equity Bonus.
NEW MEXICO	325,245,913	0.9675%	0.9706%	0.9706%		352,823,664	
NEW YORK	1,698,117,434	5.0512%	3.6149%		1,698,117,434	1,698,117,434	First we set a target overall program level
NORTH	933,677,183	2.7773%	2.7770%		933,677,183	933,677,183	MIGHT meet all of the criteria set in the
NORTH	216,549,092	0.6441%	0.6440%		216,549,092	216,549,092	Bonus provision.
OHIO	1,155,969,796	3.4385%	3.5995%	3.5995%		1,308,405,933	
OKLAHOMA	509,724,240	1.5162%	1.5212%	1.5212%		552,943,993	Thus far, it appears that certain States will
OREGON	412,006,256	1.2256%	1.2169%		412,006,256	412,006,256	"floor states," that is, their program level
PENNSYLVANIA	1,660,401,232	4.9390%	3.5563%		1,660,401,232	1,660,401,232	be set based on the Equity Bonus dollar
RHODE ISLAND	203,618,492	0.6057%	0.2219%		203,618,492	203,618,492	provision.
SOUTH	549,049,375	1.6332%	1.6291%		549,049,375	549,049,375	
SOUTH	239,984,275	0.7139%	0.7162%	0.7162%		260,332,652	It also appears that the "share states," that
TENNESSEE	755,264,092	2.2466%	2.2368%		755,264,092	755,264,092	the States whose program level will be
TEXAS	2,527,389,409	7.5180%	8.0636%	8.0636%		2,931,054,936	on one of the Equity Bonus share
UTAH	259,215,193	0.7711%	0.7812%	0.7812%		283,958,314	will make up 69.4613% of the overall
VERMONT	170,453,328	0.5070%	0.4492%		170,453,328	170,453,328	at the national level.
VIRGINIA	854,212,794	2.5409%	2.6230%	2.6230%		953,450,595	
WASHINGTON	597,499,500	1.7773%	1.6905%		597,499,500	597,499,500	These two facts provide a reasonable 1st
WEST VIRGINIA	371,971,161	1.1065%	1.1101%	1.1101%		403,510,767	for the total program level of
WISCONSIN	655,511,858	1.9499%	1.9563%	1.9563%		711,093,010	Column (6) shows the result of giving the
WYOMING	229,825,336	0.6836%	0.6859%	0.6859%		249,312,332	
TOTAL	33,617,973,053	100.0000%	97.1141%	69.4613%	11,100,584,42	36,349,272,823	"share states" their percentage of the
Target Program	11,100,584,420 / (1-.694613)					36,349,272,823	

Source: FHWA

Table B-5. Step 5: Determine Program Level—Second Attempt

STEP 5: SECOND ATTEMPT	1st Try Results	Share of National Total	Minimum Share (From Step 1)	Any State Below Minimum Share?	Required Share	Minimum Program for Other States	2nd Try Results	Now we evaluate the results of the 1st try to determine if the Equity Bonus requirements have been met.
State	(1)	(2)	(3)	(4)	(5)	(6)	(7)	
ALABAMA	726,802,802	1.9995%	1.9995%	No	1.9995%		757,478,838	
ALASKA	425,447,070	1.1704%	1.1704%	No	1.1704%		443,403,838	
ARIZONA	702,236,235	1.9319%	1.9319%	No	1.9319%		731,875,393	Column (1) shows the results of the
ARKANSAS	475,887,486	1.3092%	1.3092%	No	1.3092%		495,973,184	try from the previous step.
CALIFORNIA	3,352,504,893	9.2230%	9.2230%	No	9.2230%		3,494,003,466	
COLORADO	499,624,024	1.3745%	1.3745%	No	1.3745%		520,711,566	Column (2) shows what share each
CONNECTICU	499,665,485	1.3746%	0.9265%	No		499,665,485	499,665,485	of the overall program thus far.
DELAWARE	158,038,434	0.4348%	0.4348%	No	0.4348%		164,708,734	
DIST. OF COL.	149,550,231	0.4114%	0.3886%	No		149,550,231	149,550,231	Column (3) shows the minimum
FLORIDA	1,826,502,229	5.0249%	5.0249%	No	5.0249%		1,903,593,081	State as determined in step 1.
GEORGIA	1,315,457,881	3.6189%	3.6189%	No	3.6189%		1,370,979,176	
HAWAII	170,349,683	0.4686%	0.2283%	No		170,349,683	170,349,683	Column (4) shows that 8 States that
IDAHO	276,375,090	0.7603%	0.7603%	No	0.7603%		288,040,003	appeared to be "floor states" are now
ILLINOIS	1,261,196,699	3.4697%	3.4697%	No	3.4697%		1,314,427,802	states" and they are below the
INDIANA	922,997,060	2.5392%	2.5392%	No	2.5392%		961,953,831	determined in step 1.
IOWA	402,742,945	1.1080%	1.1731%	Yes	1.1731%		444,392,976	
KANSAS	385,564,917	1.0607%	0.9185%	No		385,564,917	385,564,917	We repeat the adjustment process
KENTUCKY	631,949,044	1.7385%	1.7385%	No	1.7385%		658,621,604	At the bottom of column (7), we
LOUISIANA	579,393,386	1.5940%	1.5940%	No	1.5940%		603,847,738	target program level.
MAINE	186,229,357	0.5123%	0.4624%	No		186,229,357	186,229,357	
MARYLAND	581,863,659	1.6008%	1.6008%	No	1.6008%		606,422,274	Column (7) shows the result of giving
MASSACHUSET	618,102,280	1.7005%	1.5263%	No		618,102,280	618,102,280	states" their minimum program level
MICHIGAN	1,061,119,703	2.9192%	2.8478%	No		1,061,119,703	1,061,119,703	"share states" their percentage of the
MINNESOTA	610,805,140	1.6804%	1.6804%	No	1.6804%		636,585,283	program level of $37,883,460,068.
MISSISSIPPI	448,765,069	1.2346%	1.2346%	No	1.2346%		467,706,016	
MISSOURI	861,344,551	2.3696%	2.3696%	No	2.3696%		897,699,166	
MONTANA	354,693,318	0.9758%	0.9758%	No	0.9758%		369,663,796	

STEP 5: SECOND ATTEMPT	1st Try Results	Share of National Total	Minimum Share (From Step 1)	Any State Below Minimum Share?	Required Share	Minimum Program for Other States	2nd Try Results	Now we evaluate the results of the 1st try to determine if the Equity Bonus requirements have been met.
State	(1)	(2)	(3)	(4)	(5)	(6)	(7)	
NEBRASKA	260,348,979	0.7162%	0.7636%	Yes	0.7636%		289,267,678	
NEVADA	286,478,072	0.7881%	0.7881%	No	0.7881%		298,569,401	
NEW	170,274,857	0.4684%	0.3812%	No		170,274,857	170,274,857	
NEW JERSEY	943,440,065	2.5955%	2.5955%	No	2.5955%		983,259,671	
NEW MEXICO	352,823,664	0.9706%	0.9706%	No	0.9706%		367,715,229	
NEW YORK	1,698,117,434	4.6717%	3.6149%	No		1,698,117,434	1,698,117,434	
NORTH	933,677,183	2.5686%	2.7770%	Yes	2.7770%		1,052,018,625	
NORTH	216,549,092	0.5957%	0.6440%	Yes	0.6440%		243,975,787	
OHIO	1,308,405,933	3.5995%	3.5995%	No	3.5995%		1,363,629,587	
OKLAHOMA	552,943,993	1.5212%	1.5212%	No	1.5212%		576,282,001	
OREGON	412,006,256	1.1335%	1.2169%	Yes	1.2169%		461,021,822	
PENNSYLVANI	1,660,401,232	4.5679%	3.5563%	No		1,660,401,232	1,660,401,232	
RHODE	203,618,492	0.5602%	0.2219%	No		203,618,492	203,618,492	
SOUTH	549,049,375	1.5105%	1.6291%	Yes	1.6291%		617,162,628	
SOUTH	260,332,652	0.7162%	0.7162%	No	0.7162%		271,320,466	
TENNESSEE	755,264,092	2.0778%	2.2368%	Yes	2.2368%		847,394,203	
TEXAS	2,931,054,936	8.0636%	8.0636%	No	8.0636%		3,054,765,446	
UTAH	283,958,314	0.7812%	0.7812%	No	0.7812%		295,943,291	
VERMONT	170,453,328	0.4689%	0.4492%	No		170,453,328	170,453,328	
VIRGINIA	953,450,595	2.6230%	2.6230%	No	2.6230%		993,692,713	
WASHINGTO	597,499,500	1.6438%	1.6905%	Yes	1.6905%		640,424,080	
WEST	403,510,767	1.1101%	1.1101%	No	1.1101%		420,541,673	
WISCONSIN	711,093,010	1.9563%	1.9563%	No	1.9563%		741,105,986	
WYOMING	249,312,332	0.6859%	0.6859%	No	0.6859%		259,835,013	
TOTAL	36,349,272,82	100.0000%	97.1141%		81.5924%	6,973,446,999	37,883,460,068	
Target Program	$6,973,446,999 / (1-.815924)						37,883,460,068	

Source: FHWA

Table B-6. Step 6: Determine Program Level—Third Attempt

Step 6: Third Attempt	2nd Try Results	Share of National Total	Minimum Share (From Step 1)	Any State Below Minimum Share?	Required Share	Minimum Program for Other States	3rd Try Results	Now we evaluate the results of the 2nd try to determine if the Equity Bonus requirements have been met.
State	(1)	(2)	(3)	(4)	(5)	(6)	(7)	
ALABAMA	757,478,838	1.9995%	1.9995%	No	1.9995%		759,755,497	
ALASKA	443,403,838	1.1704%	1.1704%	No	1.1704%		444,736,522	
ARIZONA	731,875,393	1.9319%	1.9319%	No	1.9319%		734,075,100	Column (1) shows the results of the
ARKANSAS	495,973,184	1.3092%	1.3092%	No	1.3092%		497,463,869	try from the previous step.
CALIFORNIA	3,494,003,466	9.2230%	9.2230%	No	9.2230%		3,504,504,955	
COLORADO	520,711,566	1.3745%	1.3745%	No	1.3745%		522,276,604	Column (2) shows what share each
CONNECTICUT	499,665,485	1.3190%	0.9265%	No		499,665,485	499,665,485	of the overall program thus far.
DELAWARE	164,708,734	0.4348%	0.4348%	No	0.4348%		165,203,778	
DIST. OF COL.	149,550,231	0.3948%	0.3886%	No		149,550,231	149,550,231	Column (3) shows the minimum
FLORIDA	1,903,593,081	5.0249%	5.0249%	No	5.0249%		1,909,314,473	State as determined in step 1.
GEORGIA	1,370,979,176	3.6189%	3.6189%	No	3.6189%		1,375,099,756	
HAWAII	170,349,683	0.4497%	0.2283%	No		170,349,683	170,349,683	Column (4) shows that 1 State that
IDAHO	288,040,003	0.7603%	0.7603%	No	0.7603%		288,905,729	appeared to be a "floor state" is now
ILLINOIS	1,314,427,802	3.4697%	3.4697%	No	3.4697%		1,318,378,413	state" and is below the minimum
INDIANA	961,953,831	2.5392%	2.5392%	No	2.5392%		964,845,056	determined in step 1.
IOWA	444,392,976	1.1731%	1.1731%	No	1.1731%		445,728,632	
KANSAS	385,564,917	1.0178%	0.9185%	No		385,564,917	385,564,917	At the bottom of column (7), we
KENTUCKY	658,621,604	1.7385%	1.7385%	No	1.7385%		660,601,141	target program level.
LOUISIANA	603,847,738	1.5940%	1.5940%	No	1.5940%		605,662,648	
MAINE	186,229,357	0.4916%	0.4624%	No		186,229,357	186,229,357	Column (7) shows the result of giving
MARYLAND	606,422,274	1.6008%	1.6008%	No	1.6008%		608,244,922	states" their minimum program level
MASSACHUSET	618,102,280	1.6316%	1.5263%	No		618,102,280	618,102,280	"share states" their percentage of the
MICHIGAN	1,061,119,703	2.8010%	2.8478%	Yes	2.8478%		1,082,078,920	program level of $37,997,321,644.
MINNESOTA	636,585,283	1.6804%	1.6804%	No	1.6804%		638,498,588	
MISSISSIPPI	467,706,016	1.2346%	1.2346%	No	1.2346%		469,111,742	
MISSOURI	897,699,166	2.3696%	2.3696%	No	2.3696%		900,397,268	
MONTANA	369,663,796	0.9758%	0.9758%	No	0.9758%		370,774,848	
NEBRASKA	289,267,678	0.7636%	0.7636%	No	0.7636%		290,137,093	

Step 6: Third Attempt	2nd Try Results	Share of National Total	Minimum Share (From Step 1)	Any State Below Minimum Share?	Required Share	Minimum Program for Other States	3rd Try Results	Now we evaluate the results of the 2nd try to determine if the Equity Bonus requirements have been met.
State	(1)	(2)	(3)	(4)	(5)	(6)	(7)	
NEVADA	298,569,401	0.7881%	0.7881%	No	0.7881%		299,466,773	
NEW	170,274,857	0.4495%	0.3812%	No		170,274,857	170,274,857	
NEW JERSEY	983,259,671	2.5955%	2.5955%	No	2.5955%		986,214,931	
NEW MEXICO	367,715,229	0.9706%	0.9706%	No	0.9706%		368,820,425	
NEW YORK	1,698,117,434	4.4825%	3.6149%	No		1,698,117,434	1,698,117,434	
NORTH	1,052,018,625	2.7770%	2.7770%	No	2.7770%		1,055,180,546	
NORTH	243,975,787	0.6440%	0.6440%	No	0.6440%		244,709,075	
OHIO	1,363,629,587	3.5995%	3.5995%	No	3.5995%		1,367,728,078	
OKLAHOMA	576,282,001	1.5212%	1.5212%	No	1.5212%		578,014,060	
OREGON	461,021,822	1.2169%	1.2169%	No	1.2169%		462,407,458	
PENNSYLVANIA	1,660,401,232	4.3829%	3.5563%	No		1,660,401,232	1,660,401,232	
RHODE ISLAND	203,618,492	0.5375%	0.2219%	No		203,618,492	203,618,492	
SOUTH	617,162,628	1.6291%	1.6291%	No	1.6291%		619,017,556	
SOUTH	271,320,466	0.7162%	0.7162%	No	0.7162%		272,135,940	
TENNESSEE	847,394,203	2.2368%	2.2368%	No	2.2368%		849,941,110	
TEXAS	3,054,765,446	8.0636%	8.0636%	No	8.0636%		3,063,946,772	
UTAH	295,943,291	0.7812%	0.7812%	No	0.7812%		296,832,771	
VERMONT	170,453,328	0.4499%	0.4492%	No		170,453,328	170,453,328	
VIRGINIA	993,692,713	2.6230%	2.6230%	No	2.6230%		996,679,331	
WASHINGTON	640,424,080	1.6905%	1.6905%	No	1.6905%		642,348,923	
WEST VIRGINIA	420,541,673	1.1101%	1.1101%	No	1.1101%		421,805,643	
WISCONSIN	741,105,986	1.9563%	1.9563%	No	1.9563%		743,333,435	
WYOMING	259,835,013	0.6859%	0.6859%	No	0.6859%		260,615,967	
TOTAL	37,883,460,068	100.0000%	97.1141%		84.4401%	5,912,327,296	37,997,321,644	
Target Program =	5,912,327,296 / (1-.844401)						37,997,321,644	

Source: FHWA

Table B-7. Step 7: Determine Program Level—Forth Attempt

Step 7: Forth Attempt	3rd Try Results	Share of National Total	Minimum Share (From Step 1)	Any State Below Minimum?	Required Share	Minimum Program for Other States	4th Try Results	Now we evaluate the results of the 3rd try to determine if the Equity Bonus requirements have been met.
State	(1)	(2)	(3)	(4)	(5)	(6)	(7)	
ALABAMA	759,755,497	1.9995%	1.9995%	No	1.9995%		759,787,520	
ALASKA	444,736,522	1.1704%	1.1704%	No	1.1704%		444,755,267	
ARIZONA	734,075,100	1.9319%	1.9319%	No	1.9319%		734,106,040	Column (1) shows the results of the 3rd
ARKANSAS	497,463,869	1.3092%	1.3092%	No	1.3092%		497,484,836	try from the previous step.
CALIFORNIA	3,504,504,955	9.2230%	9.2230%	No	9.2230%		3,504,652,664	
COLORADO	522,276,604	1.3745%	1.3745%	No	1.3745%		522,298,617	Column (2) shows what share each State
CONNECTICUT	499,665,485	1.3150%	0.9265%	No			499,665,485	of the overall program thus far.
DELAWARE	165,203,778	0.4348%	0.4348%	No	0.4348%		165,210,741	
DIST. OF COL.	149,550,231	0.3936%	0.3886%	No			149,550,231	Column (3) shows the minimum share
FLORIDA	1,909,314,473	5.0249%	5.0249%	No	5.0249%		1,909,394,947	State as determined in step 1.
GEORGIA	1,375,099,756	3.6189%	3.6189%	No	3.6189%		1,375,157,714	
HAWAII	170,349,683	0.4483%	0.2283%	No			170,349,683	Column (4) shows that 1 State that had
IDAHO	288,905,729	0.7603%	0.7603%	No	0.7603%		288,917,906	appeared to be a "floor state" is now a
ILLINOIS	1,318,378,413	3.4697%	3.4697%	No	3.4697%		1,318,433,981	state" and is below the minimum share
INDIANA	964,845,056	2.5392%	2.5392%	No	2.5392%		964,885,722	determined in step 1.
IOWA	445,728,632	1.1731%	1.1731%	No	1.1731%		445,747,419	
KANSAS	385,564,917	1.0147%	0.9185%	No		385,564,917	385,564,917	At the bottom of column (7), we
KENTUCKY	660,601,141	1.7385%	1.7385%	No	1.7385%		660,628,984	target program level.
LOUISIANA	605,662,648	1.5940%	1.5940%	No	1.5940%		605,688,176	
MAINE	186,229,357	0.4901%	0.4624%	No			186,229,357	Column (7) shows the result of giving
MARYLAND	608,244,922	1.6008%	1.6008%	No	1.6008%		608,270,558	states" their minimum program level and
MASSACHUSETT	618,102,280	1.6267%	1.5263%	No			618,102,280	"share states" their percentage of the
MICHIGAN	1,082,078,920	2.8478%	2.8478%	No	2.8478%		1,082,124,528	program level of $37,998,923,162.
MINNESOTA	638,498,588	1.6804%	1.6804%	No	1.6804%		638,525,500	
MISSISSIPPI	469,111,742	1.2346%	1.2346%	No	1.2346%		469,131,514	
MISSOURI	900,397,268	2.3696%	2.3696%	No	2.3696%		900,435,218	
MONTANA	370,774,848	0.9758%	0.9758%	No	0.9758%		370,790,475	
NEBRASKA	290,137,093	0.7636%	0.7636%	No	0.7636%		290,149,322	
NEVADA	299,466,773	0.7881%	0.7881%	No	0.7881%		299,479,395	

Step 7: Forth Attempt	3rd Try Results	Share of National Total	Minimum Share (From Step 1)	Any State Below Minimum?	Required Share	Minimum Program for Other States	4th Try Results	Now we evaluate the results of the 3rd try to determine if the Equity Bonus requirements have been met.
State	(1)	(2)	(3)	(4)	(5)	(6)	(7)	
NEW	170,274,857	0.4481%	0.3812%	No			170,274,857	
NEW JERSEY	986,214,931	2.5955%	2.5955%	No	2.5955%		986,256,498	
NEW MEXICO	368,820,425	0.9706%	0.9706%	No	0.9706%		368,835,970	
NEW YORK	1,698,117,434	4.4690%	3.6149%	No			1,698,117,434	
NORTH	1,055,180,546	2.7770%	2.7770%	No	2.7770%		1,055,225,020	
NORTH	244,709,075	0.6440%	0.6440%	No	0.6440%		244,719,389	
OHIO	1,367,728,078	3.5995%	3.5995%	No	3.5995%		1,367,785,726	
OKLAHOMA	578,014,060	1.5212%	1.5212%	No	1.5212%		578,038,422	
OREGON	462,407,458	1.2169%	1.2169%	No	1.2169%		462,426,947	
PENNSYLVANIA	1,660,401,232	4.3698%	3.5563%	No			1,660,401,232	
RHODE ISLAND	203,618,492	0.5359%	0.2219%	No			203,618,492	
SOUTH	619,017,556	1.6291%	1.6291%	No	1.6291%		619,043,646	
SOUTH	272,135,940	0.7162%	0.7162%	No	0.7162%		272,147,410	
TENNESSEE	849,941,110	2.2368%	2.2368%	No	2.2368%		849,976,933	
TEXAS	3,063,946,772	8.0636%	8.0636%	No	8.0636%		3,064,075,912	
UTAH	296,832,771	0.7812%	0.7812%	No	0.7812%		296,845,282	
VERMONT	170,453,328	0.4486%	0.4492%	Yes	0.4492%		170,702,522	
VIRGINIA	996,679,331	2.6230%	2.6230%	No	2.6230%		996,721,339	
WASHINGTON	642,348,923	1.6905%	1.6905%	No	1.6905%		642,375,997	
WEST VIRGINIA	421,805,643	1.1101%	1.1101%	No	1.1101%		421,823,421	
WISCONSIN	743,333,435	1.9563%	1.9563%	No	1.9563%		743,364,765	
WYOMING	260,615,967	0.6859%	0.6859%	No	0.6859%		260,626,951	
							-	
TOTAL	37,997,321,644	100.0000%	97.1141%		84.8894%	5,741,873,967	37,998,923,162	
Target Program =	5,741,873,967 / (1-.848894)						37,998,923,162	

Source: FHWA

Table B-8. Determine Program Level—Fifth Attempt

Step 8: Fifth Attempt	4th Try Results	Share of National Total	Minimum Share (From Step 1)	State Below Minimum ?	Rate of Return	Now we evaluate the results of the 4th try to determine if the Equity Bonus requirements have been met.
State	(1)	(2)	(3)	(4)	(5)	
ALABAMA	759,787,520	1.9995%	1.9995%	No	102.0%	
ALASKA	444,755,267	1.1704%	1.1704%	No	328.8%	
ARIZONA	734,106,040	1.9319%	1.9319%	No	92.0%	Column (1) shows the results of the 4th
ARKANSAS	497,484,836	1.3092%	1.3092%	No	103.7%	try from the previous step.
CALIFORNIA	3,504,652,664	9.2230%	9.2230%	No	92.0%	
COLORADO	522,298,617	1.3745%	1.3745%	No	92.0%	Column (2) shows what share each State has
CONNECTICUT	499,665,485	1.3149%	0.9265%	No	130.6%	of the overall program thus far.
DELAWARE	165,210,741	0.4348%	0.4348%	No	163.8%	
DIST. OF COL.	149,550,231	0.3936%	0.3886%	No	465.4%	Column (3) shows the minimum share for each
FLORIDA	1,909,394,947	5.0249%	5.0249%	No	92.0%	State as determined in step 1.
GEORGIA	1,375,157,714	3.6189%	3.6189%	No	92.0%	
HAWAII	170,349,683	0.4483%	0.2283%	No	180.7%	Column (4) shows all States are at or above the
IDAHO	288,917,906	0.7603%	0.7603%	No	146.9%	minimum share determined in step 1.
ILLINOIS	1,318,433,981	3.4697%	3.4697%	No	92.0%	
INDIANA	964,885,722	2.5392%	2.5392%	No	92.0%	Column (5) shows the rate of return as defined
IOWA	445,747,419	1.1731%	1.1731%	No	92.0%	in the Equity Bonus. This is the ratio of the
KANSAS	385,564,917	1.0147%	0.9185%	No	101.6%	share of apportionments and High Priority Project
KENTUCKY	660,628,984	1.7385%	1.7385%	No	94.7%	allocations in 2008 to the share of contributions
LOUISIANA	605,688,176	1.5940%	1.5940%	No	94.1%	to the Highway Account in 2006. Note that
MAINE	186,229,357	0.4901%	0.4624%	No	97.5%	no State has a rate of return less than 92%
MARYLAND	608,270,558	1.6008%	1.6008%	No	92.0%	
MASSACHUSETTS	618,102,280	1.6266%	1.5263%	No	98.1%	
MICHIGAN	1,082,124,528	2.8478%	2.8478%	No	92.0%	
MINNESOTA	638,525,500	1.6804%	1.6804%	No	92.0%	
MISSISSIPPI	469,131,514	1.2346%	1.2346%	No	93.6%	
MISSOURI	900,435,218	2.3696%	2.3696%	No	96.4%	
MONTANA	370,790,475	0.9758%	0.9758%	No	213.6%	
NEBRASKA	290,149,322	0.7636%	0.7636%	No	99.9%	
NEVADA	299,479,395	0.7881%	0.7881%	No	92.0%	

Step 8: Fifth Attempt	4th Try Results	Share of National Total	Minimum Share (From Step 1)	State Below Minimum ?	Rate of Return	Now we evaluate the results of the 4th try to determine if the Equity Bonus requirements have been met.
State	(1)	(2)	(3)	(4)	(5)	
NEW HAMPSHIRE	170,274,857	0.4481%	0.3812%	No	108.1%	
NEW JERSEY	986,256,498	2.5955%	2.5955%	No	92.0%	
NEW MEXICO	368,835,970	0.9706%	0.9706%	No	107.3%	
NEW YORK	1,698,117,434	4.4689%	3.6149%	No	113.7%	
NORTH CAROLINA	1,055,225,020	2.7770%	2.7770%	No	92.0%	
NORTH DAKOTA	244,719,389	0.6440%	0.6440%	No	201.6%	
OHIO	1,367,785,726	3.5995%	3.5995%	No	92.0%	
OKLAHOMA	578,038,422	1.5212%	1.5212%	No	97.6%	
OREGON	462,426,947	1.2169%	1.2169%	No	99.8%	
PENNSYLVANIA	1,660,401,232	4.3696%	3.5563%	No	113.0%	
RHODE ISLAND	203,618,492	0.5359%	0.2219%	No	222.2%	
SOUTH CAROLINA	619,043,646	1.6291%	1.6291%	No	92.0%	
SOUTH DAKOTA	272,147,410	0.7162%	0.7162%	No	195.9%	
TENNESSEE	849,976,933	2.2368%	2.2368%	No	92.0%	
TEXAS	3,064,075,912	8.0636%	8.0636%	No	92.0%	
UTAH	296,845,282	0.7812%	0.7812%	No	92.0%	
VERMONT	170,702,522	0.4492%	0.4492%	No	210.0%	
VIRGINIA	996,721,339	2.6230%	2.6230%	No	92.0%	
WASHINGTON	642,375,997	1.6905%	1.6905%	No	92.0%	
WEST VIRGINIA	421,823,421	1.1101%	1.1101%	No	166.1%	
WISCONSIN	743,364,765	1.9563%	1.9563%	No	107.6%	
WYOMING	260,626,951	0.6859%	0.6859%	No	138.1%	
TOTAL	37,998,923,162	100.0000%	97.1141%		100.0%	

Source: FHWA

Table B-9. Step 9--Determine Equity Bonus

Step 9	Overall Program Level	Initial Apportionments and High Priority Projects	Equity Bonus	All of the preceding steps have been to determine the overall program level that is required by the Equity Bonus provision to ensure that both the minimum share and dollar floor provisions are met
State	(1)	(2)	(3)	
ALABAMA	759,787,520	518,758,511	241,029,009	
ALASKA	444,755,267	252,879,164	191,876,103	
ARIZONA	734,106,040	473,388,271	260,717,769	
ARKANSAS	497,484,836	372,867,639	124,617,197	
CALIFORNIA	3,504,652,664	2,862,999,103	641,653,561	The actual Equity Bonus is the amount of
COLORADO	522,298,617	430,414,847	91,883,770	additional funding that must be added to
CONNECTICUT	499,665,485	385,900,595	113,764,890	each State's initial apportionments and High
DELAWARE	165,210,741	142,910,640	22,300,101	Priority Projects to reach the determined
DIST. OF COL.	149,550,231	149,550,231	-	program level.
FLORIDA	1,909,394,947	1,136,899,652	772,495,295	
GEORGIA	1,375,157,714	837,209,001	537,948,714	Column (1) shows the final program level
HAWAII	170,349,683	153,257,829	17,091,854	determined in step 7 (and confirmed in step 8).
IDAHO	288,917,906	195,182,788	93,735,118	
ILLINOIS	1,318,433,981	1,003,228,485	315,205,495	Column (2) shows the total each State received
INDIANA	964,885,722	592,678,227	372,207,495	in initial apportionments for the programs
IOWA	445,747,419	402,742,945	43,004,474	included in the Equity Bonus calculation--IM
KANSAS	385,564,917	365,424,382	20,140,535	NHS, STP, Bridge, CMAQ, Rec. Trails, ADHS,
KENTUCKY	660,628,984	520,142,182	140,486,802	Metro Planning, HSIP, Safe Routes to School,
LOUISIANA	605,688,176	531,951,536	73,736,639	Rail-Highway Grade Crossing, Border--and for High
MAINE	186,229,357	186,229,357	-	Priority Projects.
MARYLAND	608,270,558	514,670,978	93,599,581	
MASSACHUSETTS	618,102,280	579,819,034	38,283,246	Column (3) shows the difference between the
MICHIGAN	1,082,124,528	835,151,315	246,973,213	overall program level and the initial apportionments
MINNESOTA	638,525,500	486,224,560	152,300,940	and High Priority Project funding. This is the
MISSISSIPPI	469,131,514	393,655,210	75,476,304	Equity Bonus. Note that 3 States receive no
MISSOURI	900,435,218	670,568,742	229,866,476	Equity Bonus funds in FY 2008. These States
MONTANA	370,790,475	240,689,458	130,101,018	received sufficient funds from their initial
NEBRASKA	290,149,322	260,348,979	29,800,344	apportionments and High Priority Projects so
NEVADA	299,479,395	227,911,436	71,567,959	that no additional funds were required to meet

Step 9	Overall Program Level	Initial Apportionments and High Priority Projects	Equity Bonus	All of the preceding steps have been to determine the overall program level that is required by the Equity Bonus provision to ensure that both the minimum share and dollar floor provisions are met
State	(1)	(2)	(3)	
NEW HAMPSHIRE	170,274,857	142,548,878	27,725,978	the share and dollar floor provisios of the
NEW JERSEY	986,256,498	727,027,441	259,229,057	Equity Bonus.
NEW MEXICO	368,835,970	280,609,925	88,226,045	
NEW YORK	1,698,117,434	1,475,237,149	222,880,285	
NORTH CAROLINA	1,055,225,020	750,618,511	304,606,509	
NORTH DAKOTA	244,719,389	216,549,092	28,170,297	
OHIO	1,367,785,726	991,210,977	376,574,749	
OKLAHOMA	578,038,422	464,998,785	113,039,637	
OREGON	462,426,947	412,006,256	50,420,691	
PENNSYLVANIA	1,660,401,232	1,356,402,848	303,998,383	
RHODE ISLAND	203,618,492	203,618,492	-	
SOUTH CAROLINA	619,043,646	431,888,278	187,155,368	
SOUTH DAKOTA	272,147,410	218,563,429	53,583,981	
TENNESSEE	849,976,933	618,721,850	231,255,084	
TEXAS	3,064,075,912	1,997,563,619	1,066,512,293	
UTAH	296,845,282	247,072,575	49,772,707	
VERMONT	170,702,522	170,453,328	249,194	
VIRGINIA	996,721,339	709,871,843	286,849,496	
WASHINGTON	642,375,997	597,499,500	44,876,497	
WEST VIRGINIA	421,823,421	337,062,132	84,761,289	
WISCONSIN	743,364,765	473,219,956	270,144,809	
WYOMING	260,626,951	217,171,882	43,455,069	
TOTAL	37,998,923,162	28,763,571,843	9,235,351,320	

Source: FHWA

Table B-10. Step 10—Further Breakdown of Equity Bonus

Step 10:	Equity Bonus	Percent of National Total	$639 Million Exempt from Obligation Limitation	$2 Billion Subject to Special No-Year Limitation	Remainder Subject to Formula Limitation	
State	(1)	(2)	(3)	(4)	(5)	
ALABAMA	241,029,009	2.6099%	16,676,955	52,197,042	172,155,012	Column (1) shows the Equity Bonus amount
ALASKA	191,876,103	2.0776%	13,276,033	41,552,529	137,047,541	for each State from step 9.
ARIZONA	260,717,769	2.8230%	18,039,233	56,460,823	186,217,713	
ARKANSAS	124,617,197	1.3493%	8,622,345	26,986,997	89,007,855	Column (2) shows the percent of total for each
CALIFORNIA	641,653,561	6.9478%	44,396,430	138,955,961	458,301,170	State.
COLORADO	91,883,770	0.9949%	6,357,498	19,898,273	65,627,999	
CONNECTICUT	113,764,890	1.2318%	7,871,467	24,636,830	81,256,593	Each year $639 million of the Equity Bonus
DELAWARE	22,300,101	0.2415%	1,542,959	4,829,291	15,927,851	is exempt from the obligation limitation that
DIST. OF COL.	-	0.0000%	-	-	-	otherwise applies to the Federal-aid Highway
FLORIDA	772,495,295	8.3645%	53,449,455	167,290,939	551,754,902	Program. Each State receives a proportional
GEORGIA	537,948,714	5.8249%	37,221,023	116,497,726	384,229,964	share of this desirable treatment for its
HAWAII	17,091,854	0.1851%	1,182,597	3,701,398	12,207,860	Equity Bonus funds. This is shown in column (3)
IDAHO	93,735,118	1.0150%	6,485,594	20,299,199	66,950,325	
ILLINOIS	315,205,495	3.4130%	21,809,274	68,260,640	225,135,581	Each year $2 billion of the Equity Bonus
INDIANA	372,207,495	4.0302%	25,753,280	80,604,946	265,849,269	is subject to special no-year obligation limitation
IOWA	43,004,474	0.4657%	2,975,508	9,313,013	30,715,953	that never expires instead of the usual 1-year
KANSAS	20,140,535	0.2181%	1,393,537	4,361,618	14,385,381	obligation limitation that applies to most of the
KENTUCKY	140,486,802	1.5212%	9,720,374	30,423,705	100,342,723	Federal-aid Highway Program. Each State
LOUISIANA	73,736,639	0.7984%	5,101,886	15,968,345	52,666,407	receives a proportional share of this desirable
MAINE	-	0.0000%	-	-	-	treatment for its Equity Bonus funds. Each State's
MARYLAND	93,599,581	1.0135%	6,476,216	20,269,847	66,853,517	amount of the $2 billion is shown in column (4).
MASSACHUSETTS	38,283,246	0.4145%	2,648,843	8,290,588	27,343,815	
MICHIGAN	246,973,213	2.6742%	17,088,238	53,484,314	176,400,661	The remainder of the Equity Bonus is program-
MINNESOTA	152,300,940	1.6491%	10,537,802	32,982,165	108,780,973	matically distributed to the six core programs.
MISSISSIPPI	75,476,304	0.8173%	5,222,255	16,345,086	53,908,964	These funds lose their identity as Equity Bonus
MISSOURI	229,866,476	2.4890%	15,904,612	49,779,693	164,182,171	funds and take on the characteristics of the
MONTANA	130,101,018	1.4087%	9,001,775	28,174,568	92,924,675	program to which they are distributed. This
NEBRASKA	29,800,344	0.3227%	2,061,905	6,453,538	21,284,901	portion of the Equity Bonus is subject to and

Step 10:	Equity Bonus	Percent of National Total	$639 Million Exempt from Obligation Limitation	$2 Billion Subject to Special No-Year Limitation	Remainder Subject to Formula Limitation	
State	(1)	(2)	(3)	(4)	(5)	
NEVADA	71,567,959	0.7749%	4,951,834	15,498,698	51,117,427	shares the formula limitation.
NEW HAMPSHIRE	27,725,978	0.3002%	1,918,379	6,004,315	19,803,285	
NEW JERSEY	259,229,057	2.8069%	17,936,228	56,138,429	185,154,400	Note that the 2% State Planning and Research
NEW MEXICO	88,226,045	0.9553%	6,104,418	19,106,159	63,015,468	setaside applies to all Equity Bonus funds, but
NEW YORK	222,880,285	2.4133%	15,421,233	48,266,769	159,192,283	the setaside is deducted from the portion of the
NORTH CAROLINA	304,606,509	3.2983%	21,075,924	65,965,332	217,565,253	Equity Bonus that is programmatically distributed.
NORTH DAKOTA	28,170,297	0.3050%	1,949,121	6,100,536	20,120,640	
OHIO	376,574,749	4.0775%	26,055,453	81,550,714	268,968,581	
OKLAHOMA	113,039,637	1.2240%	7,821,286	24,479,770	80,738,581	
OREGON	50,420,691	0.5460%	3,488,641	10,919,063	36,012,987	
PENNSYLVANIA	303,998,383	3.2917%	21,033,847	65,833,637	217,130,899	
RHODE ISLAND	-	0.0000%	-	-	-	
SOUTH CAROLINA	187,155,368	2.0265%	12,949,402	40,530,211	133,675,755	
SOUTH DAKOTA	53,583,981	0.5802%	3,707,511	11,604,102	38,272,368	
TENNESSEE	231,255,084	2.5040%	16,000,691	50,080,409	165,173,985	
TEXAS	1,066,512,293	11.5482%	73,792,683	230,963,015	761,756,595	
UTAH	49,772,707	0.5389%	3,443,806	10,778,736	35,550,165	
VERMONT	249,194	0.0027%	17,242	53,965	177,987	
VIRGINIA	286,849,496	3.1060%	19,847,304	62,119,888	204,882,303	
WASHINGTON	44,876,497	0.4859%	3,105,034	9,718,417	32,053,046	
WEST VIRGINIA	84,761,289	0.9178%	5,864,689	18,355,834	60,540,766	
WISCONSIN	270,144,809	2.9251%	18,691,496	58,502,335	192,950,978	
WYOMING	43,455,069	0.4705%	3,006,685	9,410,594	31,037,791	
TOTAL	9,235,351,320	100.0000%	639,000,000	2,000,000,000	6,596,351,320	

Source: FHWA

Table B-11. Which Equity Bonus Rule Prevailed?

State	No Equity Bonus Needed? (1)	Floor State? (120% of TEA-21 Average Annual) (2)	92% Minimum Rate of Return State? (3)	TEA-21 Share State? (4)	
ALABAMA				Yes	This sheet shows which of the 3 Equity Bonus
ALASKA				Yes	rules was the final determining factor for each
ARIZONA			Yes		State that received Equity Bonus.
ARKANSAS				Yes	
CALIFORNIA			Yes		Column (1) shows the 3 States that received
COLORADO			Yes		no Equity Bonus for the year. The amount
CONNECTICUT		Yes			of apportionments and High Priority Project
DELAWARE				Yes	funding they received were sufficient to
DIST. OF COL.	Yes				pass the three Equity Bonus tests without
FLORIDA			Yes		adding any additional funds in the form of
GEORGIA			Yes		the Equity Bonus.
HAWAII		Yes			
IDAHO				Yes	Column (2) shows the States for which the
ILLINOIS			Yes		Equity Bonus was determined based on the
INDIANA			Yes		dollar floor of 120% of the average annual
IOWA			Yes		apportionments and High Priority Project
KANSAS		Yes			funding under TEA-21.
KENTUCKY				Yes	
LOUISIANA				Yes	Column (3) shows the States for which
MAINE	Yes				the Equity Bonus was determined based
MARYLAND			Yes		on the minimum relative return of 92%
MASSACHUSETTS		Yes			on the State's share of contributions
MICHIGAN			Yes		to the Highway Account of the Highway
MINNESOTA			Yes		Trust Fund.
MISSISSIPPI				Yes	
MISSOURI				Yes	Column (4) shows the States for which
MONTANA				Yes	the Equity Bonus was determined based
NEBRASKA				Yes	of their share of apportionments and High

State	No Equity Bonus Needed? (1)	Floor State? (120% of TEA-21 Average Annual) (2)	92% Minimum Rate of Return State? (3)	TEA-21 Share State? (4)	
NEVADA			Yes		Priority Project funding under TEA-21.
NEW HAMPSHIRE		Yes			While 27 States were eligible for con-
NEW JERSEY			Yes		sideration under the "special rule," the
NEW MEXICO				Yes	"special rule" provided the best result
NEW YORK		Yes			for only 20 of those States.
NORTH CAROLINA			Yes		
NORTH DAKOTA				Yes	
OHIO			Yes		
OKLAHOMA				Yes	
OREGON				Yes	
PENNSYLVANIA		Yes			
RHODE ISLAND	Yes				
SOUTH CAROLINA			Yes		
SOUTH DAKOTA				Yes	
TENNESSEE			Yes		
TEXAS			Yes		
UTAH			Yes		
VERMONT				Yes	
VIRGINIA			Yes		
WASHINGTON			Yes		
WEST VIRGINIA				Yes	
WISCONSIN				Yes	
WYOMING				Yes	
TOTAL	3	7	21	20	

Source: FHWA

Author Information

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